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# Financial Profile of the 100 Largest Agricultural Cooperatives, 2002

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## Preface

Cooperative board rooms were again very busy places in 2002. Much of the Nation's business sector struggled during 2002, and cooperatives were no exception. Symbolic of this economic downturn were Chapter 11 bankruptcy filings by many large U.S. businesses, including several by major cooperatives. The findings -- analyzed as part of USDA's annual financial survey of the top 100 farmer-owned cooperatives -- show that more than half of the co-ops ended 2002 with lower total revenue and net margins than in 2001. For the top 100 farmer cooperatives as a whole, revenue dipped 7.5 percent from 2001 while net margins dropped 71.7 percent.

However, most cooperatives should come out of these trying times stronger. To compete, cooperatives will need to rely less on debt and more on member equity. A stronger equity position provides a cushion when the economy dictates a prolonged down cycle, as we currently are experiencing. On the other hand, losses generated from operations hit equity heavily in 2002.

October 2004

**U.S.D.A., NAL**

**JAN - 6 2005**

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# Contents

|                                   |    |
|-----------------------------------|----|
| Preface .....                     | i  |
| Highlights .....                  | iv |
| Operations .....                  | 1  |
| Distribution .....                | 1  |
| Distribution of net margins ..... | 3  |
| Distribution of net losses .....  | 3  |
| Cotton .....                      | 4  |
| Dairy .....                       | 4  |
| Diversified .....                 | 4  |
| Fruit & Vegetable .....           | 5  |
| Farm Supply .....                 | 5  |
| Grain .....                       | 5  |
| Poultry/Livestock .....           | 6  |
| Rice .....                        | 6  |
| Sugar .....                       | 6  |
| Financial Position .....          | 8  |
| Cotton .....                      | 9  |
| Dairy .....                       | 9  |
| Diversified .....                 | 10 |
| Fruit & Vegetable .....           | 10 |
| Farm Supply .....                 | 11 |
| Grain .....                       | 11 |
| Poultry & Livestock .....         | 12 |
| Rice .....                        | 12 |
| Sugar .....                       | 14 |

# Contents

|                                |    |
|--------------------------------|----|
| Performance Measurements ..... | 15 |
| Cotton .....                   | 15 |
| Dairy .....                    | 15 |
| Diversified .....              | 16 |
| Fruit & Vegetable .....        | 16 |
| Farm Supply .....              | 16 |
| Grain .....                    | 16 |
| Poultry & Livestock .....      | 17 |
| Rice .....                     | 17 |
| Sugar .....                    | 17 |
| Appendix Tables .....          | 18 |

## Highlights

The combined total revenue of the largest 100 agricultural cooperatives fell from \$69.2 billion in 2001 to \$64.0 billion in 2002. The 7-percent decrease is due to lower revenues for nearly all commodity groups. Total revenues for the last 2 years were as follows:

---

| Year | Total Operating Revenue |
|------|-------------------------|
|------|-------------------------|

---

*Billion dollars*

|      |      |
|------|------|
| 2001 | 69.2 |
| 2002 | 64.0 |

---

Total revenue was not the only area showing declines; gross margins fell 1 percent, to \$5.6 billion in 2002. However, the average gross margin as a percent of total operating revenue did improve slightly and is illustrated below:

---

| Year | Gross Profit Margins |
|------|----------------------|
|------|----------------------|

---

*Percent*

|      |      |
|------|------|
| 2001 | 14.1 |
| 2002 | 14.5 |

---

While gross margins were down, operating expenses were up 4 percent. Higher expenses coupled with lower gross margins cut net operating margins, decreasing by more than 28 percent, to \$653.2 million in 2002.

---

| Year | Net Operating Margins |
|------|-----------------------|
|------|-----------------------|

---

*Million dollars*

|      |       |
|------|-------|
| 2001 | 910.9 |
| 2002 | 653.2 |

---

With lower operating margins, total net margins from operations were down 17 percent, to \$441.8 million in 2002. Higher expenses from other non-operating sources killed the bottom line. Net margins for the last 2 years are shown below:

---

| Year | Net Margins |
|------|-------------|
|------|-------------|

---

*Million dollars*

|      |       |
|------|-------|
| 2001 | 506.8 |
| 2002 | 143.6 |

---

Combined assets for the 100 largest agricultural cooperatives were valued at \$27.2 billion, down 2 percent from 2001.

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| Year | Total Assets |
|------|--------------|
|------|--------------|

---

*Billion dollars*

|      |      |
|------|------|
| 2001 | 27.8 |
| 2002 | 27.2 |

---

## Highlights

Total liabilities also fell slightly in 2002. Short-term debt was up 6 percent while long-term debts decreased by 13 percent.

| Year                   | Short-Term<br>Debt | Long-Term<br>Debt |
|------------------------|--------------------|-------------------|
| <i>Billion dollars</i> |                    |                   |
| 2001                   | 2.9                | 6.2               |
| 2002                   | 3.1                | 5.4               |

Unallocated equity absorbed most of the losses. Unallocated equity fell by 23 percent, to end 2002 at \$1.2 billion, while member equity was down 1 percent. Sources of equity are:

| Year                    | 2001 | 2002 |
|-------------------------|------|------|
| <i>Billion dollars</i>  |      |      |
| Preferred stock         | 0.8  | 0.8  |
| Common stock            | 0.6  | 0.6  |
| Certificates and Credit | 6.1  | 6.0  |
| Unallocated             | 1.5  | 1.2  |
| Total                   | 9.0  | 8.6  |

Despite declining revenues, liquidity for the largest 100 agricultural cooperatives improved slightly. This is illustrated in the current and quick ratios.

| Year         | Current | Quick |
|--------------|---------|-------|
| <i>Ratio</i> |         |       |
| 2001         | 1.32    | 0.71  |
| 2002         | 1.35    | 0.70  |

Cooperatives increased their leverage slightly in 2002. This was mostly due to falling equity values. While the average total debt-to-assets remained constant, the average long-term debt-to-equity jumped tremendously. This would indicate a restructuring of debt from short-term to long for most of the top 100 cooperatives

| Year           | Debt-to-Asset | Long-Term<br>Debt-to-Equity |
|----------------|---------------|-----------------------------|
| <i>Percent</i> |               | <i>Ratio</i>                |
| 2001           | 62            | .50                         |
| 2002           | 62            | .44                         |

## Highlights

Activity ratios had mixed results with the decrease in revenues. An increase in fixed assets lowered the fixed asset turnover, while the declining current assets fell in line with falling revenues.

| Year | Local Asset<br>Turnover | Fixed Asset<br>Turnover |
|------|-------------------------|-------------------------|
|      | Percent                 |                         |
| 2001 | 3.2                     | 15.8                    |
| 2002 | 3.3                     | 15.4                    |

# Revenue, Margins Trend Downward for Nation's Top 100 Ag Cooperatives

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## Operations

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Much of the Nation's business sector struggled during 2002, and cooperatives were no exception. Symbolic of this economic downturn were Chapter 11 bankruptcy filings by many large U.S. businesses, including several by major cooperatives. The findings—analyzed as part of USDA's annual financial survey of the top 100 farmer-owned cooperatives—show that more than half of the co-ops ended 2002 with lower total revenue than in 2001. For the top 100 farm cooperatives as a whole, revenue dipped 7.5 percent from 2001.

Most of the \$5.2-billion decline in operating revenue can be attributed to lower sales in the dairy and diversified co-op groups. These two sectors accounted for 80 percent of the revenue decline. Strong showings by cotton, grain, and rice co-ops helped offset some of the downward spiral, as indicated in table 1, which compares total revenue for all top 100 co-ops between 2001 and 2002.

Cost of goods sold fell 8.1 percent in 2002, which prevented gross profit margins from falling farther than they did. Gross profit margins for the top 100 co-ops declined 1.1 percent, to \$5.6 billion – the lowest amount in 10 years.

Operating expenses of \$5.0 billion were up 4.1 percent from 2001. However, those reporting labor expenses indicated that the cost of labor was down 8.2 percent. The average ratio of labor expense to operating expense dropped from 51.6 percent to 49.1 percent in 2002.

Falling revenues coupled with increasing expenses caused net operating margins to reach a 10-year low. Net operating margins were down 28.3 percent, a \$258-million drop from 2001.

Interest expense was down 18.2 percent due to lower interest rates and debt levels. Lower interest rates also affected interest income which was down \$42 million to \$86 million in 2002.

Other income is revenue indirectly generated through operations. Other income jumped 84.8 percent to \$407 million. However, most of that increase was due to a non-recurring situation involving one cooperative.

Other expenses incurred through the normal course of business that are not directly associated with operations were up 74.1 percent to \$179 million. Much of this increase was the result of restructuring costs associated with divestitures. Patronage refunds from business done with other cooperatives were down 34.5 percent to \$60 million.

The result of other revenues and expenses was a lower net expense of \$211 million, down from a \$378-million expense in 2001. A lower net expense further suppressed net margins from operations 17.1 percent from 2001. Net margins from operations hit \$442 million, levels not seen since the mid-1980s.

Non-operating expenses were up more than 1,000 percent at \$298 million. Most of these expenses were from accounting changes and losses from discontinued operations, which hit net margins hard. Net margins were down 71.7 percent to \$144 million for the largest 100 cooperatives, the lowest amount since 1982.

## Distribution

Cash payments to members fell 17.1 percent to \$194 million in 2002. However, an interesting point emerges when looking at the percentage of cash payments in terms of total net margins. Cash payments as a percent of net margins reached 135 percent. While on the surface, one may question how cooperatives could pay out a higher amount of cash than they made in net

Table 1—Consolidated Statement of Operations, 2001-02, Top 100 Cooperatives

|                                 |             |            |            |                | 2002  | 2001  |
|---------------------------------|-------------|------------|------------|----------------|---|-------|
|                                 | 2002        | 2001       |            |                |   |       |
|                                 | \$ thousand |            | Difference | Percent Change | Common Sized Statement Percent of Total Revenue |       |
| <b>Revenues</b>                 |             |            |            |                |   |       |
| Marketing                       | 48,125,559  | 52,936,808 | -4,811,249 | -9.1%          | 75.2%   | 76.5% |
| Farm Supply                     | 15,056,957  | 15,606,879 | -549,922   | -3.5           | 23.5  | 22.6  |
| Total Sales                     | 63,182,516  | 68,543,687 | -5,361,171 | -7.8           | 98.8  | 99.1  |
| Other Operating Revenues        | 789,070     | 610,089    | 178,981    | 29.3           | 1.2   | 0.9   |
| Total Operating Revenues        | 63,971,586  | 69,153,776 | -5,182,190 | -7.5           | 100.0   | 100.0 |
| Cost of Goods Sold              | 58,334,487  | 63,455,460 | -5,120,973 | -8.1           | 91.2  | 91.8  |
| Gross Margin                    | 5,637,099   | 5,698,316  | -61,217    | -1.1           | 8.8   | 8.2   |
| <b>Expenses</b>                 |             |            |            |                |   |       |
| Operating Expenses              | 4,983,894   | 4,787,397  | 196,497    | 4.1            | 7.8   | 6.9   |
| Net Operating Margins           | 653,205     | 910,919    | -257,714   | -28.3          | 1.0   | 1.3   |
| Other Revenues (Expenses)       |             |            |            |                |   |       |
| Interest Expense                | -585,242    | -715,664   | 130,422    | -18.2          | -0.9  | -1.0  |
| Interest Revenue                | 85,501      | 127,957    | -42,456    | -33.2          | 0.1   | 0.2   |
| Other Income                    | 407,386     | 220,446    | 186,940    | 84.8           | 0.6   | 0.3   |
| Other Expenses                  | -179,463    | -103,084   | -76,379    | 74.1           | -0.3  | -0.1  |
| Patronage Revenue               | 60,398      | 92,173     | -31,775    | -34.5          | 0.1   | 0.1   |
| Net Margins From Operations     | 441,785     | 532,748    | -90,963    | -17.1          | 0.7   | 0.8   |
| Non-Operating Rev. (Exp.)       | -298,192    | -25,955    | -272,237   | 1048.9         | -0.5  | 0.0   |
| Net Margins                     | 143,593     | 506,793    | -363,200   | -71.7          | 0.2   | 0.7   |
|                                 |             |            |            |                | <i>Percent of Total Distribution</i>            |       |
| Distribution of Net Margins     |             |            |            |                |   |       |
| Net Margins                     | 143,593     | 506,793    | -363,200   | -71.7          | 0.2   | 0.7   |
| Cash Patronage Dividends        | 194,192     | 234,266    | -40,073    | -17.1          | 135.2   | 46.2  |
| Retain Patron Dividends         | 39,591      | 276,656    | -237,065   | -85.7          | 27.6  | 54.6  |
| Nonqualified Non-Cash Patronage | 4,249       | 16,996     | -12,747    | -75.0          | 3.0   | 3.4   |
| Dividends                       | 10,730      | 39,029     | -28,299    | -72.5          | 7.5   | 7.7   |
| Unallocated Equity              | -150,425    | -46,073    | -104,352   | 226.5          | -104.8  | -9.1  |
| Income Tax                      | 45,255      | -14,082    | 59,337     | -421.4         | 31.5  | -2.8  |
| Total Distribution              | 143,593     | 506,793    | -363,200   | -71.7          | 100.0   | 100.0 |

margins. The answer lies in the fact that a few cooperatives had huge losses. Net losses from 11 cooperatives were \$674 million and pushed over all net margins to \$144 million. Figure 1 illustrates this point by showing pre-tax net margins excluding losses compared with pre-tax net margins with losses over the last 5 years.

### Distribution of Net Margins

Net margins for cooperatives without losses totaled \$817 million in 2002 compared to \$762 in 2001. Those cooperatives posting net margins averaged 23.8 percent cash payments in 2002 compared with an average of 30.7 percent in 2001 (table 2).

Qualified allocated non-cash payments as a percent of net margins were 47.8 percent in 2002 compared to 55 percent in 2001. Non-qualified patronage and dividends were .5 percent and 2.2 percent in 2002 and 2001, respectively. Those cooperatives with net margins placed 18.6 percent of them in their unallocated equity account compared to 6.1 percent in 2001. They paid 9.1 percent in taxes compared to 4.7 percent in 2001.

### Distribution of Net Losses

Those cooperatives with net losses (table 3) used deferred patronage and unallocated equity to absorb

Table 2--Distribution of Net Margins, 2002

|                                 | 2001    | 2002  |
|---------------------------------|---------|-------|
|                                 | Percent |       |
| Cash Patronage Dividends        | 30.7    | 23.8  |
| Retain Patronage Dividends      | 55.0    | 47.8  |
| Nonqualified Non-Cash Patronage | 2.2     | .5    |
| Dividends                       | 1.3     | .2    |
| Unallocated Equity              | 6.1     | 18.6  |
| Income Tax                      | 4.7     | 9.1   |
| Total Distribution              | 100.0   | 100.0 |

the losses. In 2002, 52.1 percent of the losses were allocated to deferred patronage and 45.9 percent were written off to the unallocated account. This compares with 55.8 percent and 36 percent in 2001, respectively.

These cooperatives had \$35 million in tax credits but represented only 4.4 percent of the total loss. For comparison, 2001 had a tax credit of \$6 million but represented 19.6 percent of the loss. It is interesting to note that a few cooperatives continued to pay dividends even though they suffered losses for the year.

Figure 1—Pre-tax net margins before distribution

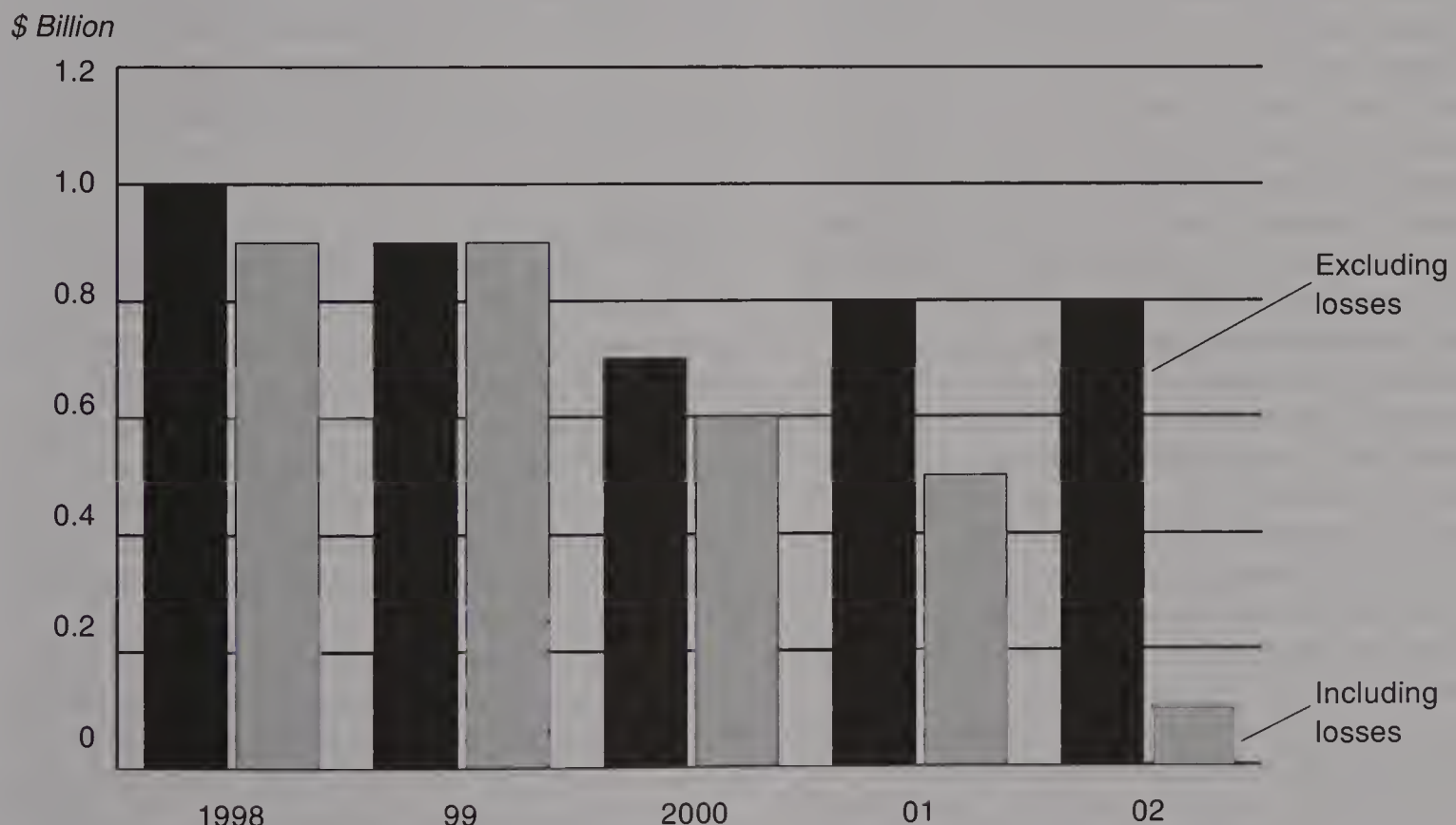


Table 3—Distribution of Net Losses, 2001-02

|   | 2001           | 2002  |
|---|----------------|-------|
|   | <i>Percent</i> |       |
| Cash Patronage Dividends                  | 0.0            | 0.0   |
| Retain Patronage Dividends                | 55.8           | 52.1  |
| Nonqualified Non-Cash Patronage Dividends | 0.0            | 0.0   |
| Unallocated Equity                        | -11.4          | -1.4  |
| Income Tax                                | 36.0           | 44.9  |
| Total Distribution                        | 19.6           | 4.4   |
|   | 100.0          | 100.0 |

## Cotton

Cotton prices edged higher in 2002, thanks in part to rising exports. Most cotton cooperatives reported improved revenue, with a 14.3-percent gain for the sector (appendix table a1). Prices returned to members, in the form of cost of goods sold, increased 8.7 percent, substantially less than the increase in revenue. The result was higher gross margins, which reached \$234 million in 2002, an increase of 151 percent and the highest level recorded in the past 10 years.

Cotton cooperatives needed higher gross margins to cover record-high operating expenses. Operating expenses jumped 86.6 percent, to \$163 million (due mostly to the cost of processing a very large crop), leaving net operating margins of \$70 million in 2002.

Falling interest rates as well as lower debt levels pushed interest expense down 40.3 percent to \$15 million. Interest income was up 88.4 percent. However, interest is not a substantial revenue-generating source for cotton cooperatives and only account for \$347,000. Other income was down from \$14 million to \$6 million in 2002. Patronage source income was up 20.1 percent, but like interest income, it constitutes a minor source of revenue with \$609,000.

The result was \$62 million in net margins from operations in 2002, a tremendous improvement over a \$10-million loss in 2001. Part of the loss in 2001 was due to a non-operating expense of \$6 million.

The cotton cooperatives distributed 93.1 percent of net margins in the form of cash (\$26 million) and allocated retains (\$32 million). Unallocated equity received 5.3 percent of the net margins while the remaining 1.6 percent of margins was placed in non-qualified, non-cash patronage and paid taxes.

## Dairy

Lower milk prices coupled with lower volume pushed revenue down 10.1 percent for dairy cooperatives in 2002. After reaching record levels in 2001, dairy cooperatives ended the year with total revenue of \$18.9 billion, down \$2.1 billion from 2001. Dairy cooperatives lowered their cost of goods sold by 10.6 percent. However, the drop in the cost of goods sold couldn't cover the drop in revenues. Since cost of goods sold are, in large part, payments to members, dairy cooperatives did not pass the full price decline on to their members. The result was a 1.4-percent drop in gross margins to \$1.1 billion.

Operating expenses for dairy co-ops were up 2.4 percent, to \$940 million. Lower gross margins with higher operating expenses caused net operating margins to fall 19.6 percent, to \$157 million, the lowest level in the past 10 years. Lower working-capital loans and lower interest rates cut interest expense by 19.2 percent, to \$52 million. Interest revenues were down 44.3 percent to \$6 million in 2002. Net other income/expense was \$80 million, a decline of 11.4 percent from 2001. Patronage refunds received also were down 23.4 percent to \$11 million. Non-operating revenues were down 20.3 percent to \$8 million. Although down 18.1 percent from 2001, net margins from operations were still a healthy \$209 million in 2002.

Dairy cooperatives distributed 84.4 percent of their net margins in the form of cash (\$75 million) and allocated equities (\$102 million). Unallocated equity accounted for 16 percent of net margins while dividends paid out represented .2 percent of net margins. There was an income tax benefit for more than \$1 million.

## Diversified

Diversified cooperatives took a hit in 2002, with two cooperatives filing for Chapter 11 bankruptcy. The losses generated from these cooperatives pushed total revenue for diversified cooperatives down 11.8 percent, to \$21.5 billion. Gross margins were down 15 percent, to \$1.2 billion, levels not seen since 1994.

Lower gross margins and higher operating expenses left diversified cooperatives with a net operating loss of \$13 million. Operating expenses were up 6 percent to 1.2 billion.

Interest expense was down 16.2 percent to \$225 million due to lower interest and debt levels. Interest revenues were also down by 41.4 percent to \$40 million.

There were large amounts of other revenue/expenses indirectly related to operations in

2002. Other revenue was up 2,178.9 percent to \$169 million due to a legal settlement. Restructuring cost pushed other expenses up 162.2 percent to \$85 million. The net effect was higher indirect operating revenues of \$84 million. Despite these higher revenues coupled with lower interest expense, diversified cooperatives ended 2002 with a net loss from operations of \$88 million.

Losses from discontinued operations hit a few diversified cooperatives hard, driving up non-operating expenses 364.5 percent to \$103 million. Overall, diversified cooperatives suffered a net loss of \$191 million.

Those cooperatives with net margins paid out 16 percent cash patronage, 56 percent non-cash patronage, and 1 percent dividends. Taxes consumed 7 percent of margins and 20 percent were added to unallocated equity. Most of the net losses were deducted from deferred patronage—80 percent—while 22 percent were deducted from unallocated equity. Interestingly, those cooperatives suffering net losses paid out \$6 million in taxes, which accounts for the remaining 2 percent distribution over the net loss.

### **Fruit/Vegetable**

As in 2001, the market was mixed for fruits and vegetables. Some produce crops had higher prices, while prices retreated for others. The net result was that fruit/vegetable cooperatives saw their net revenue dip 2.2 percent, to \$5.2 billion. Cost of goods sold was cut 3.4 percent, resulting in a 2.6-percent increase in gross margins, to \$1 billion.

Fruit/vegetable cooperatives continued to cut operating expenses. Operating expenses were down 23.8 percent since 1999, falling to \$812 million in 2002. Lower expense boosted net operating margins 17.3 percent, to \$213 million.

Lower interest expense also helped the bottom line for these cooperatives, falling 20.4 percent to \$111 million. Interest income, a relatively minor source of revenue, fell 27.6 percent to \$236,000. Other income/expenses not directly related to operations fell from net revenue of \$6 million in 2001 to a net expense of \$22 million in 2002. Patronage refunds received remained unchanged from the prior year at \$1 million.

Net margins from operations were up 65.0 percent, to \$81 million, in 2002. However, an accounting change for one cooperative was a substantial part of the \$182-million non-operating expense which left fruit/vegetable cooperatives with a net loss of \$101 million.

The cooperative with the accounting change expense ended up with a tax credit, and the rest was charged off to the unallocated equity account. Excluding that cooperative, the other cooperatives paid out 16.5 percent of their net margins in cash and allocated 52.7 percent back to their members in the form of allocated and deferred patronage. Taxes accounted for 15.0 percent of distribution and unallocated equity gathered 15.4 percent. The remaining 0.5 percent was distributed in dividends.

### **Farm Supply**

Farm supply cooperatives suffered a \$613-million decline in revenue to \$5.3 billion in 2002. Lower petroleum sales accounted for nearly half of the decrease in revenues. Lower demand for fertilizer also hurt farm supply sales. Gross margins were down 4.2 percent, to \$696 million.

Operating expenses increased 3.7 percent, to \$675 million, for farm supply co-ops. That's the highest expense level in the past 10 years. Higher operating expenses combined with lower gross margins sliced deep into net operating margins. Net operating margins were down 71.3 percent, to \$21.8 million.

Fortunately, lower interest expense, along with higher other income, prevented net margins from operations from becoming a net loss. Interest expense dropped 11.9 percent to \$72 million. Interest revenue was up 5.3 percent to \$17.3 million. Other income jumped a whopping 237.3 percent to \$46.4 million. Nearly all farm supply cooperatives showed an increase. Other expenses fell 69.3 percent to \$3.9 million.

Net margins from operations were \$13.8 million, the lowest amount in the past 10 years. Extraordinary losses from subsidiaries and accounting changes also hurt the bottom line. Total net margins ended the year at \$6 million, a 72.8-percent decline from 2001.

Similar to the fruit/vegetable commodity group, there was one cooperative with a substantial net loss that affected the cumulative bottom line for all farm supply cooperatives. This cooperative deducted the loss from its unallocated equity. The other cooperatives allocated their net margins back to members with 23 percent cash payments and 45 percent non-cash allocations. Unallocated equity received 17 percent of the funds while taxes consumed 14 percent of net margins.

### **Grain**

Grain prices and supplies held steady from 2001 to 2002. Virtually all co-ops categorized as "grain co-ops" in USDA's top-100 co-op survey also provide

farm supplies and services to their members. However, those cooperatives that predominately market members' grain generated a higher growth in revenue from their farm supply sales and service revenue. Feed sales helped push total farm supply sales up 36.5 percent, which in turn helped boost total revenue for grain cooperatives by 7.3 percent, to \$5.7 billion.

Gross margins for grain co-ops climbed 1.5 percent, to \$547 million. However, operating expenses jumped 12.1 percent, to \$481 million, suppressing net operating margins 39.8 percent, to \$65.8 million.

Despite lower interest rates, grain cooperatives had higher interest expenses due to higher debt levels. Interest expense was up 2.0 percent in 2002 to \$37.5 million. Interest income was down 43.3 percent to \$6 million. Similar to farm supply cooperatives, grain cooperatives had substantially higher other income. Other income was up 327.9 percent to \$40.1 million. Other expenses were up \$4.4 million to \$6.7 million. Patronage revenue remained steady at \$16.7 million. The net result was a \$21-million increase in other revenues that kept net margins from declining more than they otherwise would. Net margins fell 20.4 percent to \$85 million in 2002.

Distribution followed similar patterns from 2001. Sixty-six percent of net margins were allocated back to members with 21 percent paid in cash in 2002. This compares with 63.5 percent and 19.3 percent, respectively in 2001. Unallocated equity received 22.8 percent of the net margins while taxes paid used 10.7 percent. In 2001, 25.8 percent were unallocated and 10.2 percent went to taxes.

## **Poultry/Livestock**

Declining livestock sales pushed revenue down for poultry and livestock cooperatives in the top 100. This commodity group had a decline in revenue of 2.8 percent, to \$2.4 billion in 2002. Gross margins of \$174 million were up 27.7 percent. Even in the best of times, margins are generally tight for poultry/livestock cooperatives, so any increase helps.

Operating expenses were down 2.4 percent from 2001 to \$109 million. Higher gross margins and lower operating expenses provide livestock/poultry cooperatives with a 165.6-percent increase in their net operating margins. Net operating margins reached \$65 million in 2002.

Lower levels of debt along with lower interest rates helped push interest expense down 32.6 percent to \$31 million in 2002. Interest income was down 25.3 percent to \$14 million. Other income was also down 56.2 percent to \$29 million.

Net margins from operations were up 61.3 percent to \$67.2 million. However, non-operating expenses jumped 84.0 percent to \$13.5 million, bringing net margins for 2002 to \$53.7 million, up 56.5 percent from 2001.

The largest distributions of net margins were for taxes. Taxes consumed 41.1 percent of total net margins with \$22.1 million. Poultry/livestock cooperatives placed 32.4 percent of their net margins in unallocated equity. The final 26.6 percent was allocated to members who received \$14.2 million with \$1.7 million in cash and the rest in deferred patronage.

## **Rice**

Rice sales were up 1.1 percent, which halted the declining revenue trend of the past few years. Domestic rice prices and production declined once again in 2002. However a few rice cooperatives were able to open some export markets. These exports helped total sales reach \$1.0 billion. On the other hand, cost of goods sold jumped 3.5 percent, pushing down gross margins 4.4 percent, to \$307.4 million.

Operating expenses were cut 4.7 percent, to \$292.2 million. Reported labor expenses fell 1.7 percent but as a percentage of total operating cost increased from 33.6 percent to 36.5 percent. Therefore, rice cooperatives were becoming more efficient in use of their assets, which lifted net operating margins 1.3 percent, to \$15.1 million in 2002.

Interest expenses were up 2.3 percent to \$4.5 million. Net other operating revenue/expenses were down 95 percent to \$107,000. Higher other revenue along with lower other expenses helped the bottom line. Net margins were up 25.1 percent to \$10.5 million.

Rice cooperatives allocated 59.9 percent of their margins back to their members, with most being paid out in cash. Cash patronage refunds were \$5.8 million in 2002 compared with \$7.5 million in 2001. Non-cash allocations were down slightly to \$527,000 from \$563,000 in 2001. Dividends were unchanged from the prior year at \$447,000. Unallocated equity jumped 357.2 percent to \$3.8 million, or 35.8 percent of net margins

## **Sugar**

Total revenue for sugar cooperatives fell 7.5 percent, to \$1.5 billion in 2002. However, lower cost of goods sold enabled gross margins to remain relatively unchanged from 2001 at \$351 million.

Operating expenses fell 7.7 percent to \$292 million. Part of that decline is attributed to lower labor costs which fell 2.4 percent. However, sugar coopera-

Table 4—Combined Balance Sheet, 2001-02, Top 100 Cooperatives

|                                 |             |            |            |                | 2002   | 2001  |
|---------------------------------|-------------|------------|------------|----------------|--|-------|
|                                 | 2002        | 2001       |            |                |  |       |
|                                 | \$ thousand |            | Difference | Percent Change | Common Sized Statement<br>Percent of Total Revenue |       |
| <b>Assets</b>                   |             |            |            |                |  |       |
| Current Assets                  |             |            |            |                |  |       |
| Cash                            | 597,226     | 812,530    | (215,304)  | -26.5%         | 2.2%   | 2.9%  |
| Accounts Receivable             | 5,034,658   | 5,083,766  | (49,108)   | -1.0           | 18.5   | 18.3  |
| Inventory                       | 5,460,021   | 5,396,348  | 63,673     | 1.2            | 20.1   | 19.4  |
| Other Current Assets            | 1,192,971   | 1,585,819  | (392,848)  | -24.8          | 4.4  | 5.7   |
| Total Current Assets            | 12,284,876  | 12,878,463 | (593,587)  | -4.6           | 45.2   | 46.4  |
| Investments                     |             |            |            |                |  |       |
| Cooperative Banks               | 318,766     | 326,141    | (7,375)    | -2.3           | 1.2  | 1.2   |
| Other Cooperatives              | 1,806,963   | 1,842,289  | (35,326)   | -1.9           | 6.6  | 6.6   |
| Other Investments               | 1,878,914   | 1,931,522  | (52,608)   | -2.7           | 6.9  | 7.0   |
| Total Investments               | 4,004,642   | 4,099,951  | (95,309)   | -2.3           | 14.7   | 14.8  |
| Net Fixed Assets                | 7,467,184   | 7,412,971  | 54,214     | 0.7            | 27.4   | 26.7  |
| Other Assets                    | 3,446,240   | 3,382,819  | 63,421     | 1.9            | 12.7   | 12.2  |
| Total Assets                    | 27,202,943  | 27,774,204 | (571,261)  | -2.1           | 100.0  | 100.0 |
| <b>Liabilities</b>              |             |            |            |                |  |       |
| Current Liabilities             |             |            |            |                |  |       |
| Total Short-Term Debt           | 3,059,123   | 2,897,110  | 162,013    | 5.6            | 11.2   | 10.4  |
| Accounts Payable                | 3,050,234   | 3,303,807  | (253,574)  | -7.7           | 11.2   | 11.9  |
| Member Payables                 | 522,322     | 560,952    | (38,630)   | -6.9           | 1.9  | 2.0   |
| Patron and Pool Liabilities     | 1,355,093   | 1,426,509  | (71,416)   | -5.0           | 5.0  | 5.1   |
| Other Current Liabilities       | 1,521,442   | 1,788,590  | (267,148)  | -14.9          | 5.6  | 6.4   |
| Total Current Liabilities       | 9,508,214   | 9,976,969  | (468,755)  | -4.7           | 35.0   | 35.9  |
| Non-Current Liabilities         |             |            |            |                |  |       |
| Long-Term Debt Less             |             |            |            |                |  |       |
| Current Portion                 | 5,372,722   | 6,193,954  | (821,232)  | -13.3          | 19.8   | 22.3  |
| Other Liabilities               | 2,813,318   | 1,682,824  | 1,130,494  | 67.2           | 10.3   | 6.1   |
| Total Non-Current Liabilities   | 8,186,039   | 7,876,777  | 309,262    | 3.9            | 30.1   | 28.4  |
| Total Liabilities               | 17,694,253  | 17,853,746 | (159,493)  | -0.9           | 65.0   | 64.3  |
| Minority Interest               | 867,992     | 879,995    | (12,003)   | -1.4           | 3.2  | 3.2   |
| <b>Member Equity</b>            |             |            |            |                |  |       |
| Preferred Stock                 | 833,752     | 814,315    | 19,437     | 2.4            | 3.1  | 2.9   |
| Common Stock                    | 618,058     | 617,822    | 236        | 0.0            | 2.3  | 2.    |
| Equity Certificates and Credits | 6,040,196   | 6,113,660  | (73,464)   | -1.2           | 22.2   | 22.0  |
| Unallocated Equity              | 1,148,693   | 1,494,666  | (345,974)  | -23.1          | 4.2  | 5.4   |
| Total Equity                    | 8,640,698   | 9,040,463  | (399,765)  | -4.4           | 31.8   | 32.5  |

tives were able to cut a larger amount of their operating expenses from other areas. Lower operating expenses helped drive up net operating margins 67.2 percent, to \$58 million.

Interest expenses were down 24.7 percent to \$36.5 million due to lower interest rates as well as lower short- and long-term debt levels. Interest income was also down 37.8 percent to \$2 million. Other expenses associated with subsidiaries and non-member business fell 11 percent to \$18 million. Meanwhile, other income was up 165.8 percent to \$3 million.

Higher net operating margins and lower costs allowed sugar cooperatives to post net margins from operations of \$8.8 million. Sugar cooperatives had been operating at a net loss from operations since 1997.

Sugar cooperatives allocated all revenue back to members. Members received 21.6 percent in cash with 40.3 percent in non-cash and 40.7 percent in non-qualified, non-cash equity.

## Financial Position

Assets for the top 100 cooperatives fell for the first time since 1998. Figure 2 shows the ownership of

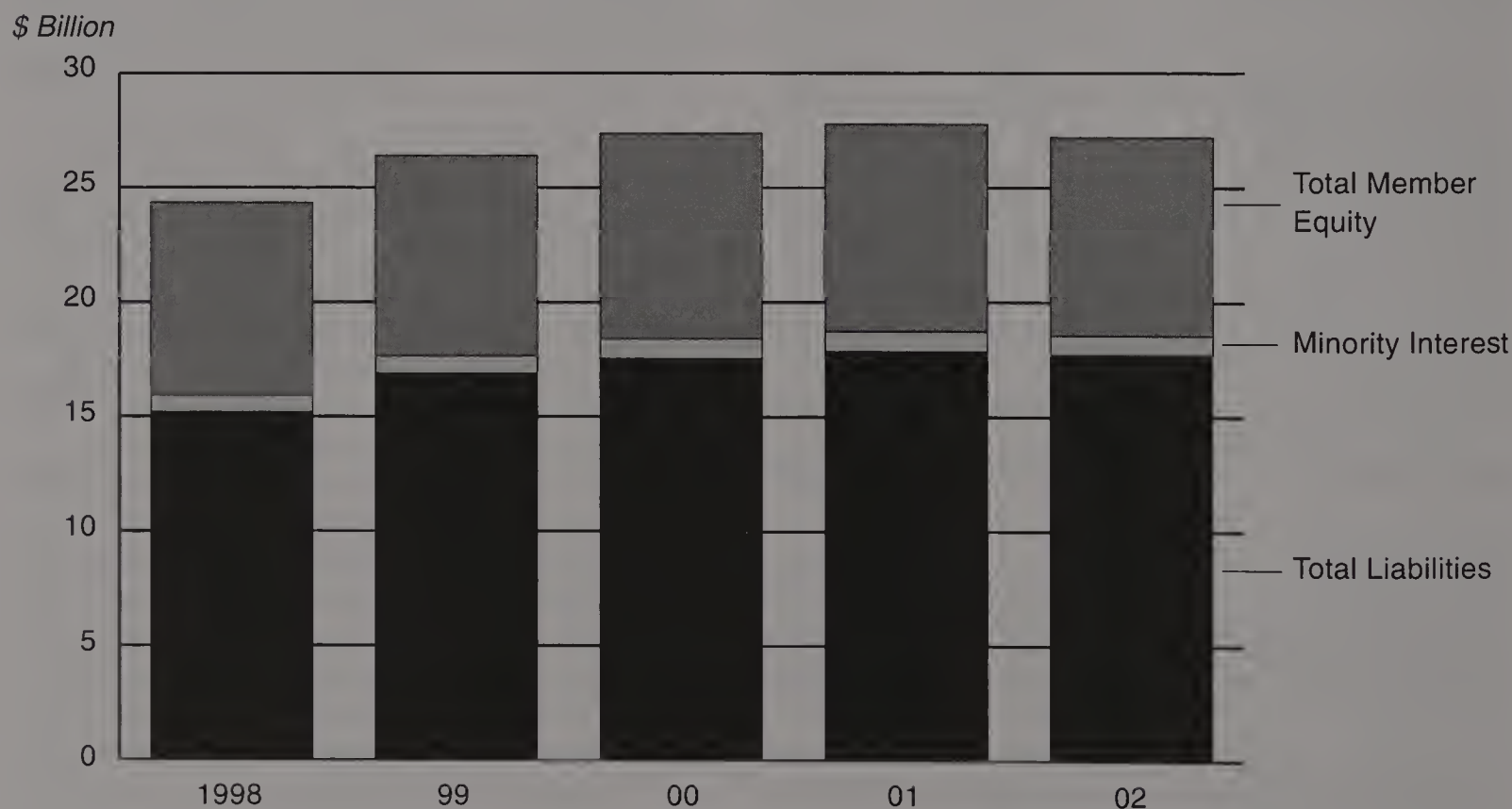
assets for the past 5 years. Outside claims to cooperatives' assets are in the form of liabilities. Members' claims on co-op assets are reflected in member equity.

Total assets for the top 100 fell 2.1 percent, to \$27.2 billion. Most of the commodity groups—with the exception of farm supply, grain and rice cooperatives—saw their assets decline in 2002. Most of the drop was due to falling current assets. Current assets dropped \$564 million to \$12.3 billion (table 4).

Leading the decline in current assets were cash balances and other current assets. Cash balances fell 26.5 percent to \$597 million. Dairy cooperatives had the largest drain in their cash accounts. Other current assets dropped 24.8 percent to \$1.2 billion, with cotton and diversified cooperatives having the largest influence in the drop. Inventory was up 1.2 percent and accounts receivable were down 1 percent to \$5.5 billion and \$5.0 billion, respectively.

Total investments were down 2.3 percent to \$4 billion. Most of the decline was in non-cooperative businesses investments, which fell \$52.6 million to \$1.9 billion. This is a direct turnaround from the prior year when investments in joint ventures and limited liability companies were driving the increased investments. Despite the lower revenues in 2002, cooperatives continued to add to their fixed asset base.

Figure 2—Ownership of Total Assets, Top 100, 1998-2002



Investments in fixed assets were up .7 percent to \$7.5 billion. Most of the increase was due to substantial investments by diversified cooperatives. Those cooperatives reporting capital purchases in 2002 averaged \$2.2 million in new fixed assets.

Other assets increased 1.9 percent to \$3.4 billion. Those assets include notes receivable, property held for sale, marketable securities, and leases receivable. Diversified cooperatives provided the largest increase.

Total liabilities only declined 0.9 percent to \$17.7 billion. The largest cooperatives appeared to be transferring more of their liabilities from short-term to long-term. While current liabilities fell 4.7 percent, to \$9.5 billion, non-current liabilities increased 3.9 percent, to \$8.2 billion.

Short-term debt was up 5.6 percent. Current portion of long-term debt was driving the overall increase up 120.8 percent to \$846 million. Most of the increase is attributed to one cooperative that had a substantial amount of its long-term debt called. Excluding that one cooperative, total short-term debt would have fallen by 5.6 percent. There were more cooperatives with a positive cashflow from operations that required less working capital loans.

Accounts payable were down 7.7 percent to \$3.1 billion. With the exception of grain cooperatives, all commodity groups had declining accounts payable. Other payables such as member payables and pooling liabilities were down 6.9 percent and 5.0 percent, respectively. Member payables hit \$522 million and pooling liabilities reached \$1.4 billion. Other liabilities were down 14.9 percent to \$1.5 billion.

Total long-term debt less current amounts due was down 13.3 percent to \$5.4 billion. The major decline in long-term debt was with bonds issued by cooperatives. Seventy-five percent of the total decline was attributed to one cooperative whose bonds became currently due. Cooperative banks continue to hold most of the cooperative debt with \$2.9 billion, a 5.4-percent increase from 2001. Commercial banks also showed an increase in their lending levels, up 23.9 percent to \$1.2 billion.

Other long-term liabilities were up 67.2 percent to \$2.8 billion. The \$1.1-billion increase was mostly due to bankruptcy proceeding from a single cooperative.

Total equity fell \$400 million, to \$8.6 billion, the lowest level since 1995. The hardest hit was unallocated equity. Unallocated equity fell 23.1 percent to \$1.1 billion in 2002. Member equity was down 0.7 percent to \$7.5 billion.

## Cotton

Declining current assets pushed down cotton cooperative's total assets by 23.5 percent, to \$667 million (appendix table 10). Cotton cooperatives ended the year with 31.6 percent less in current assets than in 2001. With the exception of cash balances, every category within current assets fell. Accounts receivable were down 32.3 percent to \$107 million; inventories were down 10.5 percent to \$242 million; and other current assets were down 73.9 percent to \$40 million. Investments were up 2.3 percent to \$55 million. The \$1.2-million increase was due to higher investments in cooperative banks and other cooperatives. Investing in non-cooperative businesses fell 5.9 percent to \$27 million in 2002.

Fixed assets were down 4.1 percent to \$189 million. Other long-term assets were down 35.6 percent to \$23 million.

Total liabilities for cotton cooperatives were \$387 million at the end of 2002, a 35.4-percent decline. Leading the decline was short-term debt. Short-term debt fell from a 10-year high of \$426 million in 2001 to \$199 million in 2002. Higher cashflows from operations required less working capital loans.

The largest increases came from member payables and pooling liabilities. Member payables jumped 100.2 percent to \$40 million and pooling liabilities increased 583.8 percent to \$50 million. So, while cashflows were up, cotton cooperatives were also using funds owed to members to help finance operations. Long-term liabilities were also down 33.5 percent to \$69 million.

Some of the higher margins from operations were used to replenish their unallocated equity account, which reached a 10-year low of \$9 million in 2001. Unallocated equity increased 147.7 percent to \$22 million. The addition to unallocated equity pushed total equity up 2.9 percent, ending 2002 at \$280 million. Equity allocated to members was down 2.1 percent to \$257 million in 2002. This represented 92 percent of total equity in 2002.

## Dairy

Falling current assets pushed total assets for dairy cooperatives down 5.1 percent to \$4.8 billion. Current assets fell 10.8 percent to \$2.2 billion. Lower revenues cut into cashflows from operations, which caused a 45.8 percent drop in cash balances in 2002. Accounts receivable also were down 9.7 percent to \$1.2 billion. Inventory was down \$3 million, yet other cur-

rent assets were up nearly \$20 million. Nevertheless, the \$289 million drop in cash, accounts receivable, and inventory caused current assets to reach a 5-year low.

Despite higher investments in cooperative banks and other cooperatives, total investments were down a slight .3 percent. However more than 92 percent of investments are with non-cooperative businesses, and most of that is with processing. Non-cooperative business investment was down \$8.5 million to \$1.1 billion.

Fixed assets were down 4.2 percent to \$1.2 billion. There was less in fixed assets purchased by dairy cooperatives and on average there was a higher amount of those assets sold in 2002.

Total liabilities declined 8.7 percent, to \$2.7 billion, due to a drop of 12.9 percent in current liabilities to \$1.9 billion. The largest declines were in member payables and pooling liabilities which fell nearly \$200 million to \$878 million in 2002. The member payables and pooling liabilities usually follow revenues. With a decline in revenues in 2002, it would be expected to see these liabilities drop. Accounts payable fell 10.5 percent to \$571 million. Short-term debt fell 1.6 percent to \$231 million.

Despite lower long-term debt, non-current liabilities were up 2.9 percent to \$774 million in 2002. Long-term debt was down 16.9 percent to \$546 million. Most of the decline can be attributed to a 30-percent reduction of long-term notes issued by dairy cooperatives. Other liabilities were up 139 percent to \$227 million. Several dairy cooperatives indicated higher pension liabilities caused this liability to increase.

Minority interest remained steady in 2002. Total equity was down .4 percent. However, member equity was up 3.7 percent to \$1.5 billion. Unallocated equity was cut \$62 million, which caused the .4-percent decline.

## **Diversified**

Despite the much-reported co-op bankruptcies, total assets for diversified cooperatives remained stable between 2001 and 2002, standing at \$10.7 billion. However, the makeup of those assets changed substantially. Current assets fell 5.2 percent. The biggest changes were in cash balances and other current assets. Other current assets fell \$234 million to \$552 million. The drop was mostly due to a decline in other current assets from one cooperative's subsidiary that discontinued its operations. A few cooperatives had large declines in average net cashflow from operations, which cut cash balances by 28.6 percent to \$175 million. Inventory and accounts receivable were both up 1.7 percent and 2.6 percent, respectively.

Investments were down 1.3 percent with cooperative investments declining the most. Fixed investments climbed \$101 million to \$2.7 billion. This is surprising considering the bankruptcy filings of a few of those cooperatives. Nearly all diversified cooperatives purchased more fixed assets in 2002 than in 2001. Other assets also jumped 4.7 percent to \$2.4 billion. Despite the increase in non-current assets, the decline in current assets pushed total assets down from the 2001 levels.

On the other hand, total liabilities jumped 3.8 percent, to \$7.7 billion. Leading this increase was non-current liabilities. Non-current liabilities were up 5.2 percent, to \$4.2 billion, while current liabilities were up 2.3 percent, to \$3.5 billion.

The largest increase in current liabilities was in short-term debt, which was up 70.6 percent to \$1.1 billion. Much of this was due to some long-term debt being called and converted to current. Cashflow from operations was also down, so additional working capital loans were needed to help fund operations. Accounts payable, members payable, and other current liabilities were \$436 million less than in 2002.

Long-term debt was down 27.3 percent to \$2.1 billion. Many of the declining debts were bonds issued by two cooperatives that were called by debt holders. This caused events to occur that ultimately resulted in bankruptcy filings. Also due to bankruptcy filings, other liabilities jumped \$981 million to \$2.1 billion.

As would be expected with bankruptcy filings, total equity fell 10.8 percent, to \$2.7 billion. Member equity took the biggest hit with a drop of \$220 million. Unallocated equity fell \$114 million.

## **Fruit/Vegetable**

Total assets for fruit/vegetable cooperatives dropped 8.2 percent, with both current and non-current assets falling. Current assets declined 5.6 percent, to \$1.6 billion. However, cash balances were up 23 percent from 2001 to \$60 million. Despite lower sales and overall net losses, the average per-cooperative cashflow from operations was up nearly \$3 million. This illustrates that operations for most fruit/vegetable cooperatives were more efficient in 2002. However, one extraordinary circumstance caused overall net losses for this commodity sector.

Accounts receivable, inventory, and other current assets were down \$108 million, which pushed overall current assets down \$97 million. The decline in accounts receivable and inventory is in response to lower sales revenue.

Investments were down 5.4 percent to \$145 million. Cooperative bank and non-cooperative investment were both down \$6 million each. Loans from cooperative banks have been declining over the past few years resulting in less investment needed in cooperative banks. Investments in other cooperatives were up 45.5 percent to \$11 million. However, other cooperative investment only makes up around 8 percent of total investments.

Fixed assets were up a slight .2 percent to \$937 million. Other non-current assets dropped 40.3 percent. However, most of that decline was due to impairment of goodwill.

While current assets fell 5.6 percent, current liabilities dropped 9.9 percent. Most of the decline was attributed to lower amounts of working capital loans and lower accounts payable. As mentioned earlier, an increase in cashflows from operations required fewer short-term loans to pay for operations. Short-term debt fell 18.3 percent to \$272 million in 2002. Accounts payable fell 18.5 percent to \$268 million. Member payables were up 50.1 percent. However, member payables only represent 4 percent of total current liabilities at \$37.8 million. Pooling liabilities remained relatively flat at \$228 million, up .8 percent.

Non-current liabilities were down 3.8 percent to \$1.2 billion. Both long-term debt and other liabilities were lower.

Equity for fruit/vegetable co-ops fell to its lowest level in the last 10 years, at \$777 million, a 12.7-percent decline. Most of the decline came from unallocated equity. However, most of that loss was caused by the write-off of goodwill and charged against unallocated equity. Member equity was up 2.2 percent to \$701 million.

## **Farm Supply**

Farm supply cooperatives were one of the few commodity groups showing an expanded asset base. Total assets grew 3.8 percent, to \$2.6 billion. The growth was due to expanded current asset levels, which grew 13 percent to \$1.4 billion. Cashflows from operations were up, which boosted cash balances in 2002. Cash on-hand was up 68.9 percent to \$48 million. Despite lower sales, accounts receivable were up 29.4 percent to \$646 million. Inventory levels were down 3 percent to \$589 million.

Investments were down 5 percent. The largest decrease came from investments in other cooperatives which fell \$37 million to \$491 million. Investments in other cooperatives constitute more than 77 percent of total investments. Most of this decline was due to one

cooperative acquiring the remaining shares of outstanding stock and consolidating the investment within its business. Investment in cooperative banks was up 13 percent to \$65 million. Long-term borrowing from cooperative banks was up nearly 50 percent in 2002. Investments in other cooperatives were down 4.9 percent to \$80 million.

Net fixed assets were valued at \$491 million, a 7.2-percent drop. New purchases in 2002 were nearly half those of 2001. In 2002, the average purchase of fixed assets by farm supply cooperatives was \$4 million compared to \$7 million in 2001. Other assets were up \$9 million to \$118 million.

Total liabilities grew 10.7 percent to \$1.6 billion in 2002. Current liabilities grew 3.0 percent, to \$958 million, while non-current liabilities grew at a 24.6-percent rate, ending 2002 at \$648 million. Short-term debt dropped a slight .8 percent to \$373 million.

Accounts payable remained steady at \$416 million. Member payables and pooling liabilities jumped 21.3 percent to \$55 million. The largest increase in short-term liabilities was in other current liabilities that included employee benefits accrued, which caused most of the increase for several cooperatives. Other liabilities were up 22.9 percent to \$114 million.

Long-term debt jumped 28.9 percent to \$571 million. However, that increase was mostly due to a substantial increase from one cooperative. Without that one cooperative included in the total, the long-term debt, less current portion, would only have increased a more modest 1.5 percent.

Total cooperative equity fell 5.6 percent, to \$1 billion in 2002. The drop was due to write-off of losses from operations against unallocated equity, which fell \$74 million to \$236 million. Total member equity was up 1.9 percent to \$769 million.

## **Grain**

Grain cooperatives also ended 2002 with a higher asset level. Total assets grew 9.6 percent, to \$2.6 billion. Current assets increased 7.9 percent to \$1.4 billion, while non-current assets grew 11.5 percent, to \$1.2 billion. The largest increase was inventory buildup, which jumped 15.5 percent to \$757 million. Due to higher sales volume, one would assume a higher inventory level. However, the sales/inventory ratio actually increased from 14.3 to 18.1. That would indicate that grain cooperatives were not able to increase their sales in relation to the volume of members' product delivered, or that members were hoping for higher prices later and requested the cooperatives to hold their products.

Investments were up 3.3 percent to \$324 million. Leading the increase was a higher investment in other cooperatives which was up \$8 million to \$208 million. The increase in non-cooperative investment was mostly with limited-liability companies for processing members' commodities.

Fixed assets jumped 10.3 percent to \$822 million. However, two cooperatives that expanded operations through acquisitions, plant updates, and new facilities accounted for more than three quarters of the total increase. Other non-current assets jumped \$42 million to \$100 million.

Grain cooperatives used both borrowed funds and member equity to fund the asset expansion. Total liabilities grew 12.2 percent, to \$1.5 billion. Current liabilities had the largest increase, \$123 million to \$1.1 billion. Most of that increase is attributed to short-term debt, which jumped \$109 million to \$547 million. Cooperative banks provided 86 percent of the increased borrowed funds.

Accounts payable were up 4.4 percent to \$221 million. Member payables and pooling liabilities were down 5.1 percent to \$197 million. With higher inventories, it appears that grain cooperatives are financing those inventory levels with borrowed funds rather than member liabilities.

Long-term debt has continued to climb, reaching levels not seen since 1997. Long-term debt grew 6.6 percent to \$372 million in 2002. Other non-current liabilities grew at 78.5 percent to \$45 million. The large jump was attributed to nearly all cooperatives having an increase in non-current liabilities. The reason for this increase varied by cooperative.

Member equity grew 6.6 percent, to \$1 billion. Both member equity and unallocated equity grew. Member equity was up 6.5 percent to \$757 million, while unallocated equity was up 7 percent to \$257 million.

## **Poultry/Livestock**

Poultry/livestock cooperatives saw assets drop by 11 percent, to \$894 million. Current assets were down 14.5 percent to \$433 million. Cash balances were down as well as cashflows from operations. The average per-cooperative cashflow from operations was down \$15 million. This in turn put pressure on cash balances, which were off \$12 million, ending the year at \$12 million. Accounts receivable were down 7.6 percent to \$187 million. Inventories were up 8.7 percent to \$192 million.

Investments were down by 23.3 percent to \$97 million. The decline was mostly due to the sale of a

limited-liability company and liquidation of a limited partnership from non-cooperative investments. These non-cooperative investments fell from \$40 million in 2001 to \$10 million in 2002.

Net fixed assets inched downwards at .4 percent to \$235 million. Other assets fell 4.6 percent to \$128 million.

Total liabilities were down 16.1 percent, to \$606 million. Most of the decline was due to a drop in current liabilities. Current liabilities were 28.9 percent lower and ended 2002 at \$271 million. Although the average cashflow from operations was not as large as in 2001, it was positive and allowed poultry/livestock cooperatives to rely less on operating loans. Operating loans were down \$114 million to \$82 million in 2002.

Accounts payable fell 11 percent to \$91 million. However, other current liabilities were up \$15 million to \$98 million, mostly due to an increase in net liabilities from the closing of a consolidated business.

Long-term debt was 5.6 percent lower and ended 2002 with \$270 million with nearly half of it held by commercial banks. Other non-current liabilities were up \$9 million to \$65 million.

With higher margins, poultry/livestock cooperatives were able to add equity to their balance sheets. Member equity was up 3.3 percent, to \$204 million. Unallocated equity remained virtually unchanged at \$81 million.

## **Rice**

Assets for the rice cooperatives grew at a modest 1.4 percent in 2002, to \$478 million. Growth in current assets fueled the increase which was up \$19 million to \$261 million. The largest increase was in accounts receivable. Accounts receivable was up 21.6 percent to \$96 million. Cash balances were also up, closing out 2002 at \$29 million, a 23.9-percent increase. Inventory levels were down 2.3 percent to \$131 million.

Total investments were down by slightly over half to \$15 million, a 52.8-percent decline. Investments in cooperative banks were down \$7 million, to \$8 million, while investments in non-cooperative ventures were down \$10 million to \$7 million in 2002.

Fixed assets, which account for 42 percent of total assets, were up 2.9 percent to \$200 million. The average new investment in fixed assets for rice cooperatives in 2002 was \$9 million, which has been consistent throughout the last few years.

Total liabilities were down 4.1 percent to \$215 million in 2002. The largest decline was in current liabilities which fell \$6 million to \$152 million. Despite the drop in current liabilities, short-term debt was up

Table 5--Average ratios, 1998-2002, Top 100 cooperatives

|      | Current<br>Ratio | Quick<br>Ratio | Debt<br>To<br>Assets | Long-Term<br>Debt<br>To<br>Equity | Times<br>Interest<br>Earned | Local<br>Assets<br>Turnover | Fixed<br>Assets<br>Turnover | Inventory<br>Turnover | Accounts<br>Receivable<br>Turnover | Gross<br>Profit<br>Margin | Net<br>Operating<br>Margin | Return<br>On<br>Total<br>Assets | Return<br>On<br>Members<br>Equity |
|------|------------------|----------------|----------------------|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------|------------------------------------|---------------------------|----------------------------|---------------------------------|-----------------------------------|
|      | —Liquidity—      |                |                      | —Leverage—                        |                             | —Efficiency—                |                             |                       | —Profitability—                    |                           |                            |                                 |                                   |
| 1998 | 1.34             | 0.75           | 60.1%                | 67.1%                             | 5.25                        | 3.57                        | 15.49                       | 16.82                 | 17.08                              | 13.9%                     | 1.6%                       | 7.8%                            | 14.2%                             |
| 1999 | 1.34             | 0.72           | 60.4%                | 52.1%                             | 3.76                        | 3.16                        | 14.16                       | 13.98                 | 16.39                              | 15.9%                     | 2.6%                       | 7.6%                            | 13.0%                             |
| 2000 | 1.33             | 0.72           | 61.4%                | 52.3%                             | 4.70                        | 3.29                        | 14.87                       | 15.57                 | 16.50                              | 14.6%                     | 1.4%                       | 6.2%                            | 9.2%                              |
| 2001 | 1.32             | 0.71           | 62.2%                | 50.0%                             | 2.78                        | 3.24                        | 15.78                       | 16.39                 | 17.59                              | 14.1%                     | 0.9%                       | 5.5%                            | 6.4%                              |
| 2002 | 1.35             | 0.70           | 62.1%                | 43.9%                             | 3.93                        | 3.26                        | 15.39                       | 16.28                 | 16.83                              | 14.5%                     | 1.2%                       | 5.4%                            | 5.6%                              |

Figure 3--Ratio definitions

| Ratio                        | Calculation  |
|------------------------------|--|
| <b>Liquidity</b>             |  |
| Current Ratio                | current assets/current liabilities   |
| Quick Ratio                  | (current assets - inventory)/current liabilities                             |
| <b>Leverage</b>              |  |
| Debt-to-Assets               | total liabilities/total assets   |
| Long-Term Debt-to-Equity     | total non-current liabilities/total equity                                   |
| Times Interest Earned        | (net margins + interest expense)/interest expense                            |
| <b>Efficiency</b>            |  |
| Local Assets Turnover        | total sales/(total assets - cooperative investment)                          |
| Fixed Assets Turnover        | total sales/fixed assets   |
| Inventory Turnover           | total sales/average inventory  |
| Accounts Receivable Turnover | total sales/average accounts receivable                                      |
| <b>Profitability</b>         |  |
| Gross Profit Margin          | gross margins/total operating revenue  |
| Net Operating Margin         | (net operating margins - patronage refunds received)/total operating revenue |
| Return on Total Assets       | net margins before interest and taxes/total assets                           |
| Return on Members Equity     | net margins/total equity   |

5.4 percent to \$78 million. The increase in working capital loans was entirely due to higher loans through the Federal Government's commodity loan programs, which were up \$8 million from 2001. Accounts payable were down 10 percent to \$27 million. Members' payable and pooling liabilities were down 1.3 percent to \$36 million.

Non-current liabilities consisting of long-term loans were down 5 percent to \$62 million. While overall long-term debt was falling, funds borrowed from cooperative banks jumped 147 percent to \$27 million.

Member equity grew at 6.3 percent, to \$175 million, while unallocated equity also grew at 6.3 percent to end 2002 at \$88 million.

## Sugar

Sugar cooperatives' assets fell by 1.5 percent, to \$1.5 billion. Much of the decline was in current assets, which fell 4 percent, to \$397 million. Despite higher net margins and cashflows from operations, cash balances fell 79.6 percent to \$3 million. Most of the excess cash generated by operations was used to pay off loans and revolve member equity. The largest decline in current assets was in accounts receivable, which fell \$24 million to \$116 million. Sugar inventory was \$16 million higher, and ended 2002 at \$256 million.

Investments were up 4.7 percent to \$86 million. Both cooperative and non-cooperative investments were up \$2 million each.

Fixed assets were down \$30 million to \$683 million. While new equipment purchases were similar to that in 2001, high depreciation expense from earlier purchases caused the book value of fixed assets to fall.

Total liabilities fell 2.9 percent to \$801 million. Leading the decline was current liabilities. Current liabilities fell \$28 million, a 7.7-percent decline. Substantial increases in cashflows from operations cut the sugar cooperatives' need for working capital loans and other short-term financial arrangements. Short-term loans fell \$10 million, to \$148 million. Accounts payable fell \$11 million, to \$72 million. Member payables and pooling liabilities fell 6.4 percent to \$91 million.

Long-term debt was also down, falling \$20 million to \$367 million. The only liabilities that seemed to increase for sugar cooperatives were those for employee benefits, which pushed other non-current liabilities up 30.9 percent to \$98 million.

Total equity for sugar cooperatives was up 5 percent to \$459 million. However, unallocated equity continued to fall. The combined unallocated equity for sugar cooperatives has been running in a deficit for a few years. Each year the deficit in unallocated equity

continued to grow while member equity grew. In 2002, member equity grew 4.7 percent to \$567 million while the deficit in the unallocated account grew 3.4 percent to \$108 million.

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## Performance Measurements

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Performance measurements are presented in table 5. Figure 3 provides a guide on how the ratios are calculated. While the prior analysis was based on the sum total of the cooperatives, the average of these ratios is used in the performance measurements. With the top 4 cooperatives generating 42 percent of total revenues for the top 100, it is easy to see the influence they would have. Therefore an average is used to negate the effects of changes in a few of the largest cooperatives and gives equal weight to every cooperative.

Liquidity of the top 100 improved. The current ratio, which measures the cooperatives' liquid assets against their corresponding liabilities, improved from 1.32 to 1.35 in 2002. However, this improvement was due mostly to a buildup of inventories. Since inventories are considered to be the least liquid of current assets, leaving them out of the calculation provides a stricter look at liquidity. In this case, the quick ratio (current assets less inventory) falls from .71 to .70. While the drop in the quick ratio is small, its movement in the opposite direction from the current ratio illustrates improved liquidity is due to inventory buildup. Inventory level increases in themselves may not be a problem if they are due to anticipated higher sales. However, if higher inventory is due to lack of sales during the past year, this could pose a problem if the situation is allowed to continue.

Leverage ratios point to a shift in debt financing from long-term to short-term. Total debt to assets remained fairly constant at 62.1 percent, down from 62.2 percent in 2001. However, the average long-term debt to equity fell substantially from 50.0 percent in 2001 to 43.9 percent in 2002.

Lower interest rates pushed down interest expense. Lower interest expense coupled with higher margins for most cooperatives gave a boost to their interest coverage ratio. The times interest earned improved from a 10-year low of 2.78 to 3.93 in 2002.

Efficiency ratios describe how well a business uses its assets. For the most part, efficiency for the average top 100 in generating sales changed little

between 2001 and 2002 and there was no trend over the 5-year period. The average local asset turnover ratio inched up from 3.24 to 3.26 in 2002. The average fixed asset turnover slipped from 15.78 to 15.39. The average inventory turnover was also down slightly from 16.39 to 16.28. The largest change occurred with the average accounts receivable turnover which fell from 17.59 to 16.83.

While profit ratios have problems inherent in them with respect to cooperatives, they do provide some insight if looking at trends. There is some improvement in the average gross profit margin and net operating margins. However, there are no definite trends in their movements. On the other hand, the average return on total assets and average return on member equity have displayed a general deterioration over the past 5 years. This trend is cause for concern. In general, cooperatives operate on thin margins and miscalculations of the market can prove disastrous, as is pointed out by the few bankruptcies.

### Cotton

Cotton cooperatives improved their average liquidity (appendix table 19). These cooperatives were able to offset their lower current assets by cutting the amount of working capital loans needed for operations. In relative terms, inventories did not decline in proportion to other current accounts. This accounts for the increase in the average current ratio from 1.32 to 1.48, but a slight drop in the average quick ratio from .69 to .67. The average leverage ratios dropped, showing the average cashflow from operations allowed the cotton cooperatives to rely less on debt to fund the cooperatives.

Higher sales improved the efficiency use of assets. This in turn pushed up profitability as the average gross profit margins, average net operating margins, average return on total assets, and average return on member equity all showed substantial improvements over 2001.

### Dairy

While individual dairy cooperatives had variations between 2001 and 2002, the average performance measurements of these cooperatives varied little between the years. The average liquidity ratios slipped slightly but the difference is negligible. The average current ratio fell from 1.31 to 1.30 and the average quick ratio fell from .91 to .88. They used less total debt on average, but most of the decline was to the long-term debt levels. The average long-term debt-to-equity ratio had the largest change of any performance

measurement, falling from 36.4 percent to 32.7 percent. Efficiency ratios all showed improvements between 2001 and 2002. Dairy cooperatives were able to use their assets more efficiently in generating sales. However, they were unable to generate higher profits from the higher efficiency. Higher operating expenses prevented any gains made in efficiency from translating into profitability, as the average profitability ratios for all dairy cooperatives slid downward. The largest decline was in the average return on members' equity which fell from 15.3 percent to 13.6 percent.

### **Diversified**

As was noted earlier, diversified cooperatives on the whole suffered with the bankruptcy filings of several large cooperatives. This in turn caused a negative turn in their performance. Liquidity fell, but the decline was not only attributed to those cooperatives filing for bankruptcy. Several of the stronger diversified cooperatives also experienced a drop in their liquidity. With equity falling, more of the assets were financed by liabilities, which pushed up the average debt-to-asset ratio. The average long-term debt to equity hit a 10-year high of 173.5 percent.

The average profitability ratios fell dramatically. Most of the decline can be attributed to the bankruptcies. The average return on members' equity declined the most, from -4.2 percent to -39.9 percent.

### **Fruit/Vegetable**

Fruit and vegetable cooperatives had mixed results in their performance. The average liquidity improved slightly due to slower declining inventory levels relative to other current assets and current liabilities. The average quick ratio did not change, while the average current ratio improved from 1.55 to 1.59 in 2002.

Declining long-term debt levels helped improve leverage. The average overall debt levels declined slightly more than declining assets as the average debt-to-asset ratio fell from 69.7 percent to 68.9 percent. The average long-term debt-to-equity ratio showed the most dramatic decline moving from 79.9 percent to 57.4 percent. Two of the fruit/vegetable cooperatives had substantial declines in their equity position. However, on average the decline in equity was less than the decline in long-term debt.

The average efficiency ratios were higher in 2002 with the exception of fixed asset turnover. The average fixed asset turnover fell from 11.9 times to 10 times. However, this decline had more to do with steady amounts of fixed assets and lower sales than lower

efficiency. Profitability ratios held steady with exception of return on member equity which fell from 7.4 percent to .3 percent.

### **Farm Supply**

Farm supply cooperatives improved their liquidity in 2002. The average current and quick ratio improved. Most of the farm supply cooperatives improved their cash balances, boosting their liquidity. Leverage was up slightly due to carrying a higher level of long-term debt. The average long-term debt-to-equity ratio was up from 38.4 percent to 44.9 percent.

Lower sales coupled with higher assets caused efficiency to decline. The average efficiency ratios for farm supply cooperatives all declined. However, profitability measurements showed slight gains from 2001. The average return on member equity was up from 6.3 percent to 6.5 percent.

### **Grain**

Grain cooperatives had small changes in their average performance. Liquidity was up slightly as illustrated by the average current ratio inching up from 1.22 to 1.24. However, most of the increase was due to higher inventory levels as the average quick ratio slipped from .58 to .56. Grain cooperatives relied more on debt to help finance their cooperatives with higher long- and short-term debt. The average total debt-to-assets ratio increased from 60.2 percent to 62.2 percent, while the average long-term debt-to-equity ratio increased from 38.7 percent to 40.1 percent.

Despite higher operating revenues, the average efficiency ratios declined. The average local asset turnover fell from 2.62 times to 2.46 times. The average fixed asset turnover had a slight decline from 8.79 times to 8.51 times. If the asset growth is due to anticipated growth in revenues, then declining values shouldn't be much of a concern. However, these values have trended downward over the past 5 years. Profitability ratios have also been trending downwards. Return on assets fell from 8.0 percent in 1998 to 4.7 percent in 2002. Lower efficiency with higher debt and sagging profits strongly suggests there could be problems in the future if this trend continues.

### **Poultry/Livestock**

Poultry/livestock cooperatives improved their liquidity mostly due to higher inventory levels. The average current ratio jumped up from 1.25 to 1.44. However, the average quick ratio only inched up from .92 to .93. While overall debt levels were down, these cooperatives tend to carry a higher portion of debt

than most other commodity groups. This is illustrated by their high average debt-to-asset ratio of 81.9, up from 81.0 in 2001.

The efficiency ratios showed improvement from 2001 to 2002. The only ratio to show a decline was the average fixed asset turnover, which fell from 59.7 times to 50.8 times. Profitability ratios showed improvement despite the large negative return on members' equity. One cooperative that generated a loss does not carry much equity, which had a tremendous influence on the average return on members' equity ratio. Hence the return on members' equity improved from -84.9 to -44.3

## Rice

Rice cooperatives improved their liquidity position while maintaining their leverage. Rice cooperatives have the highest average value for their current ratio at 1.72, up from 1.69 in 2001. Much of the improvement was due to higher cash balances and accounts receivable. This is illustrated by a higher increase in their average quick ratio compared to their current ratio. The quick ratio improved from .89 to .95.

Rice cooperatives hold the least amount of average debt in proportion to assets. The average debt-to-asset ratio was at 47.8 percent in 2002, the same as in 2001.

The average efficiency ratios were down slightly from 2001, with exception of inventory turnover. Lower inventory levels helped improve the average inventory turnover from 9.6 times to 9.9 times in 2002. The average profitability ratios while down slightly did not vary much from 2001, with the exception of return on members' equity. The average return on members' equity was down from 11.3 to 10.0 in 2002. Some of this decline can be traced back to payments to members in the form of cost of goods sold. In other words, members received more value for their produce in the front end of the transaction, generating lower profits for the cooperative. However, the average return on members' equity for rice cooperatives continues to be one of the steadier of all top 100 commodity groups.

## Sugar

Higher inventory levels pushed up the average liquidity for sugar cooperatives. The current ratio

inched up from 1.20 to 1.23, but the average quick ratio slipped from .53 to .48 in 2002. A higher average cash-flow from operations allowed the sugar cooperatives to cut the amount of both short- and long-term debt, which took a little pressure off of their leverage ratios. The average debt-to-asset ratio fell from 65.9 percent to 65.0 percent in 2002. Long-term debt-to-equity fell from 90.8 percent in 2001 to 84.8 percent in 2002.

Efficiency ratios dipped in 2002 mostly due to lower revenues. However, higher inventories also weighed heavily in pushing down the average inventory turnover ratio, which fell from 6.77 times to 5.85 times. Sugar cooperatives are some of the most highly capitalized cooperatives in terms of fixed assets, as evident by the low values for their average fixed asset turnover ratios: 1.96 in 2002 compared to 2.04 in 2001. During the past few years, they have been investing in their fixed capital. These investments seem to be paying off with cuts in operating expenses and rising profit margins. The average return on assets was up from 2.5 percent to 3.4 percent, while the average return on members' equity was up from -8.7 percent to 3.1 percent in 2002.

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## Appendix Tables

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Appendix Table 1—Consolidated Statement of Operations, 2001-02, Cotton Cooperatives

|   |             |           |            |                | 2002  | 2001    |
|---|-------------|-----------|------------|----------------|---|---------|
|   | 2002        | 2001      |            |                |   |         |
|   | \$ thousand |           | Difference | Percent Change | Common Sized Statement Percent of Total Revenue |         |
| <b>Revenues</b>                           |             |           |            |                |   |         |
| Marketing                                 | 2,463,135   | 2,154,900 | 308,235    | 14.3%          | 96.1%   | 96.3%   |
| Farm Supply                               | 59,241      | 50,333    | 8,908      | 17.7%          | 2.3%  | 2.2%    |
| Total Sales                               | 2,522,376   | 2,205,233 | 317,143    | 14.4%          | 98.4%   | 98.6%   |
| Other Operating Revenues                  | 41,880      | 32,065    | 9,815      | 30.6%          | 1.6%  | 1.4%    |
| Total Operating Revenues                  | 2,564,256   | 2,237,298 | 326,958    | 14.6%          | 100.0%  | 100.0%  |
| Cost of Goods Sold                        | 2,330,656   | 2,144,243 | 186,413    | 8.7%           | 90.9%   | 95.8%   |
| Gross Margin                              | 233,600     | 93,055    | 140,545    | 151.0%         | 9.1%  | 4.2%    |
| <b>Expense</b>                            |             |           |            |                |   |         |
| Operating Expenses                        | 163,475     | 87,609    | 75,866     | 86.6%          | 6.4%  | 3.9%    |
| Net Operating Margins                     | 70,125      | 5,446     | 64,679     | 1187.6%        | 2.7%  | 0.2%    |
| Other Revenues (Expenses)                 |             |           |            |                |   |         |
| Interest Expense                          | -14,661     | -24,544   | 9,883      | -40.3%         | -0.6%   | -1.1%   |
| Interest Revenue                          | 347         | 184       | 163        | 88.4%          | 0.0%  | 0.0%    |
| Other Income                              | 6,250       | 14,232    | -7,982     | -56.1%         | 0.2%  | 0.6%    |
| Other Expenses                            | -201        | -         | -201       | N/A            | 0.0%  | N/A     |
| Patronage Revenue                         | 609         | 507       | 102        | 20.1%          | 0.0%  | 0.0%    |
| Net Margins from Operations               | 62,469      | -4,175    | 66,644     | -1596.3%       | 2.4%  | -0.2%   |
| Non-Operating Rev. (Exp.)                 | -           | -6,200    | 6,200      | -100.0%        | N/A   | -0.3%   |
| Net Margins                               | 62,469      | -10,375   | 72,844     | -702.1%        | 2.4%  | -0.5%   |
| Percent of Total Distribution             |             |           |            |                |   |         |
| <b>Distribution of Net Margins</b>        |             |           |            |                |   |         |
| Cash Patronage Dividends                  | 26,463      | 14,066    | 12,397     | 88.1%          | 42.4%   | -135.6% |
| Retain Patronage Dividends                | 31,655      | -32,134   | 63,789     | -198.5%        | 50.7%   | 309.7%  |
| Nonqualified Non-Cash Patronage Dividends | 643         | 447       | 196        | 43.8%          | 1.0%  | -4.3%   |
| Unallocated Equity                        | 3,342       | -8,877    | 12,219     | -137.6%        | 5.3%  | 85.6%   |
| Income Tax                                | 366         | 135       | 231        | 171.2%         | 0.6%  | -1.3%   |
| Total Distribution                        | 62,469      | -10,375   | 72,844     | -702.1%        | 100.0%  | 100.0%  |

Appendix Table 2—**Consolidated Statement of Operations, 2001-02, Dairy Cooperatives**

|                                    |             |            |            |                | 2002  | 2001   |
|------------------------------------|-------------|------------|------------|----------------|---|--------|
|                                    | 2002        | 2001       |            |                |   |        |
|                                    | \$ thousand |            | Difference | Percent Change | Common Sized Statement Percent of Total Revenue |        |
| <b>Revenue</b>                     |             |            |            |                |   |        |
| Marketing                          | 18,679,608  | 20,815,455 | -2,135,847 | -10.3%         | 98.7%   | 98.8%  |
| Farm Supply                        | 181,229     | 170,346    | 10,883     | 6.4%           | 1.0%  | 0.8%   |
| Total Sales                        | 18,860,837  | 20,985,801 | -2,124,964 | -10.1%         | 99.6%   | 99.7%  |
| Other Operating Revenues           | 73,557      | 72,355     | 1,202      | 1.7%           | 0.4%  | 0.3%   |
| Total Operating Revenues           | 18,934,394  | 21,058,156 | -2,123,762 | -10.1%         | 100.0%  | 100.0% |
| Cost of Goods Sold                 | 17,837,314  | 19,945,146 | -2,107,832 | -10.6%         | 94.2%   | 94.7%  |
| Gross Margin                       | 1,097,080   | 1,113,010  | -15,930    | -1.4%          | 5.8%  | 5.3%   |
| <b>Expenses</b>                    |             |            |            |                |   |        |
| Operating Expenses                 | 940,212     | 917,896    | 22,316     | 2.4%           | 5.0%  | 4.4%   |
| Net Operating Margins              | 156,868     | 195,114    | -38,246    | -19.6%         | 0.8%  | 0.9%   |
| Other Revenues (Expenses)          |             |            |            |                |   |        |
| Interest Expense                   | -52,360     | -64,788    | 12,428     | -19.2%         | -0.3%   | -0.3%  |
| Interest Revenue                   | 5,890       | 10,584     | -4,694     | -44.3%         | 0.0%  | 0.1%   |
| Other Income                       | 110,337     | 119,812    | -9,475     | -7.9%          | 0.6%  | 0.6%   |
| Other Expenses                     | -30,808     | -30,046    | -762       | 2.5%           | -0.2%   | -0.1%  |
| Patronage Revenue                  | 11,007      | 14,370     | -3,363     | -23.4%         | 0.1%  | 0.1%   |
| Net Margins from Operations        | 200,934     | 245,046    | -44,112    | -18.0%         | 1.1%  | 1.2%   |
| Non-Operating Rev. (Exp.)          | 8,492       | 10,661     | -2,169     | -20.3%         | 0.0%  | 0.1%   |
| Net Margins                        | 209,426     | 255,707    | -46,281    | -18.1%         | 1.1%  | 1.2%   |
|                                    |             |            |            |                | <i>Percent of Total Distribution</i>            |        |
| <b>Distribution of Net Margins</b> |             |            |            |                |   |        |
| Cash Patronage Dividends           | 74,833      | 106,195    | -31,362    | -29.5%         | 35.7%   | 41.5%  |
| Retain Patronage Dividends         | 102,020     | 194,634    | -92,614    | -47.6%         | 48.7%   | 76.1%  |
| Dividends                          | 522         | 920        | -398       | -43.3%         | 0.2%  | 0.4%   |
| Unallocated Equity                 | 33,475      | -74,294    | 107,769    | -145.1%        | 16.0%   | -29.1% |
| Income Tax                         | -1,424      | 28,252     | -29,676    | -105.0%        | -0.7%   | 11.0%  |
| Total Distribution                 | 209,426     | 255,707    | -46,281    | -18.1%         | 100.0%  | 100.0% |

Appendix Table 3—Consolidated Statement of Operations, 2001-02, Diversified Cooperatives

|                                    | 2002        | 2001       |            |                | 2002   | 2001   |
|------------------------------------|-------------|------------|------------|----------------|--|--------|
|                                    | \$ thousand |            | Difference | Percent Change | Common Sized Statement<br>Percent of Total Revenue |        |
| <b>Revenue</b>                     |             |            |            |                |  |        |
| Marketing                          | 13,296,777  | 15,671,390 | -2,374,613 | -15.2%         | 62.0%  | 64.4%  |
| Farm Supply                        | 8,054,465   | 8,529,416  | -474,951   | -5.6%          | 37.5%  | 35.1%  |
| Total Sales                        | 21,351,242  | 24,200,806 | -2,849,564 | -11.8%         | 99.5%  | 99.5%  |
| Other Operating Revenues           | 109,459     | 124,065    | -14,606    | -11.8%         | 0.5%   | 0.5%   |
| Total Operating Revenues           | 21,460,701  | 24,324,871 | -2,864,170 | -11.8%         | 100.0%   | 100.0% |
| Cost of Goods Sold                 | 20,255,220  | 22,906,948 | -2,651,728 | -11.6%         | 94.4%  | 94.2%  |
| Gross Margin                       | 1,205,481   | 1,417,923  | -212,442   | -15.0%         | 5.6%   | 5.8%   |
| <b>Expenses</b>                    |             |            |            |                |  |        |
| Operating Expenses                 | 1,218,502   | 1,149,066  | 69,436     | 6.0%           | 5.7%   | 4.7%   |
| Net Operating Margins              | -13,021     | 268,857    | -281,878   | -104.8%        | -0.1%  | 1.1%   |
| Other Revenues (Expenses)          |             |            |            |                |  |        |
| Interest Expense                   | -225,473    | -269,176   | 43,703     | -16.2%         | -1.1%  | -1.1%  |
| Interest Revenue                   | 39,648      | 67,709     | -28,061    | -41.4%         | 0.2%   | 0.3%   |
| Other Income                       | 168,664     | 7,401      | 161,263    | 2178.9%        | 0.8%   | 0.0%   |
| Other Expenses                     | -84,918     | -32,384    | -52,534    | 162.2%         | -0.4%  | -0.1%  |
| Patronage Revenue                  | 27,014      | 54,815     | -27,801    | -50.7%         | 0.1%   | 0.2%   |
| Net Margins from Operations        | -88,086     | 97,222     | -185,308   | -190.6%        | -0.4%  | 0.4%   |
| Non-Operating Rev. (Exp.)          | -103,478    | -22,275    | -81,203    | 364.5%         | -0.5%  | -0.1%  |
| Net Margins                        | -191,564    | 74,947     | -266,511   | -355.6%        | -0.9%  | 0.3%   |
|                                    |             |            |            |                | <i>Percent of Total<br/>Distribution</i>           |        |
| <b>Distribution of Net Margins</b> |             |            |            |                |  |        |
| Cash Patronage Dividends           | 40,258      | 67,570     | -27,312    | -40.4%         | -21.0%   | 90.2%  |
| Retain Patronage Dividends         | -211,540    | 36,604     | -248,144   | -677.9%        | 110.4%   | 48.8%  |
| Dividends                          | 4,150       | 8,000      | -3,850     | -48.1%         | -2.2%  | 10.7%  |
| Unallocated Equity                 | -49,130     | 29,951     | -79,081    | -264.0%        | 25.6%  | 40.0%  |
| Income Tax                         | 24,698      | -67,178    | 91,876     | -136.8%        | -12.9%   | -89.6% |
| Total Distribution                 | -191,564    | 74,947     | -266,511   | -355.6%        | 100.0%   | 100.0% |

Appendix Table 4--**Consolidated Statement of Operations, 2001-02, Fruit/vegetable Cooperatives**

|   |             |           |            |                | 2002  | 2001   |
|---|-------------|-----------|------------|----------------|---|--------|
|   | 2002        | 2001      |            |                |   |        |
|   | \$ thousand |           | Difference | Percent Change | Common Sized Statement Percent of Total Revenue |        |
| <b>Revenue</b>                            |             |           |            |                |   |        |
| Marketing                                 | 5,036,711   | 5,132,330 | -95,619    | -1.9%          | 97.8%   | 97.4%  |
| Farm Supply                               | 1,525       | 10,931    | -9,406     | -86.0%         | 0.0%  | 0.2%   |
| Total Sales                               | 5,038,236   | 5,143,261 | -105,025   | -2.0%          | 97.8%   | 97.6%  |
| Other Operating Revenues                  | 113,190     | 126,403   | -13,213    | -10.5%         | 2.2%  | 2.4%   |
| Total Operating Revenues                  | 5,151,426   | 5,269,664 | -118,238   | -2.2%          | 100.0%  | 100.0% |
| Cost of Goods Sold                        | 4,125,654   | 4,270,038 | -144,384   | -3.4%          | 80.1%   | 81.0%  |
| Gross Margin                              | 1,025,772   | 999,626   | 26,146     | 2.6%           | 19.9%   | 19.0%  |
| <b>Expenses</b>                           |             |           |            |                |   |        |
| Operating Expenses                        | 812,295     | 817,565   | -5,270     | -0.6%          | 15.8%   | 15.5%  |
| Net Operating Margins                     | 213,477     | 182,061   | 31,416     | 17.3%          | 4.1%  | 3.5%   |
| Other Revenues (Expenses)                 |             |           |            |                |   |        |
| Interest Expense                          | -111,367    | -139,939  | 28,572     | -20.4%         | -2.2%   | -2.7%  |
| Interest Revenue                          | 236         | 326       | -90        | -27.6%         | 0.0%  | 0.0%   |
| Other Income                              | 11,247      | 10,031    | 1,216      | 12.1%          | 0.2%  | 0.2%   |
| Other Expenses                            | -33,324     | -4,285    | -29,039    | 677.7%         | -0.6%   | -0.1%  |
| Patronage Revenue                         | 1,159       | 1,159     | 0          | 0.0%           | 0.0%  | 0.0%   |
| Net Margins from Operations               | 81,427      | 49,353    | 32,074     | 65.0%          | 1.6%  | 0.9%   |
| Non-Operating Rev. (Exp.)                 | -182,148    | -4,997    | -177,151   | 3545.1%        | -3.5%   | -0.1%  |
| Net Margins                               | -100,721    | 44,356    | -145,077   | -327.1%        | -2.0%   | 0.8%   |
| <i>Percent of Total Distribution</i>      |             |           |            |                |   |        |
| <b>Distribution of Net Margins</b>        |             |           |            |                |   |        |
| Cash Patronage Dividends                  | 10,200      | 3,252     | 6,948      | 213.7%         | -10.1%  | 7.3%   |
| Retain Patronage Dividends                | 32,582      | 6,315     | 26,267     | 415.9%         | -32.3%  | 14.2%  |
| Nonqualified Non-Cash Patronage Dividends | -           | 11,587    | -11,587    | -100.0%        | N/A   | 26.1%  |
| Unallocated Equity                        | 281         | 8,404     | -8,123     | -96.7%         | -0.3%   | 18.9%  |
| Income Tax                                | -121,595    | 7,477     | -129,072   | -1726.3%       | 120.7%  | 16.9%  |
|   | -22,189     | 7,321     | -29,510    | -403.1%        | 22.0%   | 16.5%  |
| Total Distribution                        | -100,720    | 44,356    | -145,076   | -327.1%        | 100.0%  | 100.0% |

Appendix Table 5—Consolidated Statement of Operations, 2001-02, Farm Supply Cooperatives

|                                    |             |           |            |                | 2002   | 2001    |
|------------------------------------|-------------|-----------|------------|----------------|--|---------|
|                                    | 2002        | 2001      |            |                |  |         |
|                                    | \$ thousand |           | Difference | Percent Change | Common Sized Statement<br>Percent of Total Revenue |         |
| <b>Revenue</b>                     |             |           |            |                |  |         |
| Marketing                          | 455,075     | 457,126   | -2,051     | -0.4%          | 8.6%   | 7.8%    |
| Farm Supply                        | 4,713,599   | 5,343,132 | -629,533   | -11.8%         | 89.3%  | 90.7%   |
| Total Sales                        | 5,168,674   | 5,800,258 | -631,584   | -10.9%         | 97.9%  | 98.4%   |
| Other Operating Revenues           | 111,351     | 92,413    | 18,938     | 20.5%          | 2.1%   | 1.6%    |
| Total Operating Revenues           | 5,280,025   | 5,892,671 | -612,646   | -10.4%         | 100.0%   | 100.0%  |
| Cost of Goods Sold                 | 4,583,581   | 5,165,999 | -582,418   | -11.3%         | 86.8%  | 87.7%   |
| Gross Margin                       | 696,444     | 726,672   | -30,228    | -4.2%          | 13.2%  | 12.3%   |
| <b>Expenses</b>                    |             |           |            |                |  |         |
| Operating Expenses                 | 674,689     | 650,846   | 23,843     | 3.7%           | 12.8%  | 11.0%   |
| Net Operating Margins              | 21,755      | 75,826    | -54,071    | -71.3%         | 0.4%   | 1.3%    |
| Other Revenues (Expenses)          |             |           |            |                |  |         |
| Interest Expense                   | -71,941     | -81,663   | 9,722      | -11.9%         | -1.4%  | -1.4%   |
| Interest Revenue                   | 17,255      | 16,383    | 872        | 5.3%           | 0.3%   | 0.3%    |
| Other Income                       | 46,422      | 13,762    | 32,660     | 237.3%         | 0.9%   | 0.2%    |
| Other Expenses                     | -3,563      | -11,587   | 8,024      | -69.3%         | -0.1%  | -0.2%   |
| Patronage Revenue                  | 3,931       | 4,577     | -646       | -14.1%         | 0.1%   | 0.1%    |
| Net Margins from Operations        | 13,858      | 17,298    | -3,440     | -19.9%         | 0.3%   | 0.3%    |
| Non-Operating Rev. (Exp.)          | -7,782      | 5,014     | -12,796    | -255.2%        | -0.1%  | 0.1%    |
| Net Margins                        | 6,076       | 22,312    | -16,236    | -72.8%         | 0.1%   | 0.4%    |
| Percent of Total<br>Distribution   |             |           |            |                |  |         |
| <b>Distribution of Net Margins</b> |             |           |            |                |  |         |
| Cash Patronage Dividends           | 15,254      | 15,066    | 188        | 1.20%          | 251.05%  | 67.52%  |
| Retain Patronage Dividends         | 29,641      | 22,038    | 7,603      | 34.50%         | 487.84%  | 98.77%  |
| Dividends                          | 5,285       | 5,164     | 121        | 2.30%          | 86.98%   | 23.14%  |
| Unallocated Equity                 | -56,693     | -13,843   | -42,850    | 309.50%        | -933.06%   | -62.04% |
| Income Tax                         | 12,589      | -6,113    | 18,702     | -305.90%       | 207.19%  | -27.40% |
| Total Distribution                 | 6,076       | 22,312    | -16,236    | -72.80%        | 100.00%  | 100.00% |

Appendix Table 6—Consolidated Statement of Operations, 2001-02, Grain Cooperatives

|                                    |             |           |            |                   | 2002   | 2001                                     |
|------------------------------------|-------------|-----------|------------|-------------------|--|--|
|                                    | 2002        | 2001      |            |                   | Common Sized Statement<br>Percent of Total Revenue |  |
|                                    | \$ thousand |           | Difference | Percent<br>Change |  |  |
| <b>Revenue</b>                     |             |           |            |                   |  |  |
| Marketing                          | 3,329,240   | 3,668,805 | -339,565   | -9.3%             | 62.0%  | 71.0%                                    |
| Farm Supply                        | 2,044,760   | 1,497,955 | 546,805    | 36.5%             | 38.0%  | 29.0%                                    |
| Total Sales                        | 5,374,000   | 5,166,760 | 207,240    | 4.0%              | 100.0%   | 100.0%                                   |
| Other Operating Revenues           | 299,474     | 123,022   | 176,452    | 143.4%            | 5.6%   | 2.4%                                     |
| Total Operating Revenues           | 5,673,474   | 5,289,782 | 383,692    | 7.3%              | 105.6%   | 102.4%                                   |
| Cost of Goods Sold                 | 5,126,506   | 4,750,994 | 375,512    | 7.9%              | 95.4%  | 92.0%                                    |
| Gross Margin                       | 546,968     | 538,788   | 8,180      | 1.5%              | 10.2%  | 10.4%                                    |
| <b>Expenses</b>                    |             |           |            |                   |  |  |
| Operating Expenses                 | 481,142     | 429,371   | 51,771     | 12.1%             | 9.0%   | 8.3%                                     |
| Net Operating Margins              | 65,827      | 109,417   | -43,591    | -39.8%            | 1.2%   | 2.1%                                     |
| Other Revenues (Expenses)          |             |           |            |                   |  |  |
| Interest Expense                   | -37,497     | -36,780   | -717       | 2.0%              | -0.7%  | -0.7%                                    |
| Interest Revenue                   | 6,178       | 10,887    | -4,709     | -43.3%            | 0.1%   | 0.2%                                     |
| Other Income                       | 40,106      | 9,372     | 30,734     | 327.9%            | 0.7%   | 0.2%                                     |
| Other Expenses                     | -6,713      | -2,335    | -4,378     | 187.5%            | -0.1%  | 0.0%                                     |
| Patronage Revenue                  | 16,679      | 16,745    | -66        | -0.4%             | 0.3%   | 0.3%                                     |
| Net Margins from Operations        | 84,580      | 107,307   | -22,727    | -21.2%            | 1.6%   | 2.1%                                     |
| Non-Operating Rev. (Exp.)          | 237         | -813      | 1,050      | -129.1%           | 0.0%   | 0.0%                                     |
| Net Margins                        | 84,816      | 106,494   | -21,678    | -20.4%            | 1.6%   | 2.1%                                     |
|                                    |             |           |            |                   |  | <i>Percent of Total<br/>Distribution</i> |
| <b>Distribution of Net Margins</b> |             |           |            |                   |  |  |
| Cash Patronage Dividends           | 17,816      | 20,598    | -2,781     | -13.5%            | 21.0%  | 19.3%                                    |
| Retain Patronage Dividends         | 38,542      | 47,076    | -8,535     | -18.1%            | 45.4%  | 44.2%                                    |
| Nonqualified Non-Cash Patronage    | -5          | 338       | -343       | -101.5%           | 0.0%   | 0.3%                                     |
| Dividends                          | 45          | 107       | -62        | -57.9%            | 0.1%   | 0.1%                                     |
| Unallocated Equity                 | 19,335      | 27,465    | -8,130     | -29.6%            | 22.8%  | 25.8%                                    |
| Income Tax                         | 9,083       | 10,909    | -1,826     | -16.7%            | 10.7%  | 10.2%                                    |
| Total Distribution                 | 84,816      | 106,494   | -21,678    | -20.4%            | 100.0%   | 100.0%                                   |

Appendix Table 7—Consolidated Statement of Operations, 2001-02, Poultry/livestock Cooperatives

|                                    |             |           |            |                | 2002  | 2001   |
|------------------------------------|-------------|-----------|------------|----------------|---|--------|
|                                    | 2002        | 2001      |            |                |   |        |
|                                    | \$ thousand |           | Difference | Percent Change | Common Sized Statement Percent of Total Revenue |        |
| <b>Revenue</b>                     |             |           |            |                |   |        |
| Marketing                          | 2,391,664   | 2,460,455 | -68,791    | -2.8%          | 99.6%   | 99.6%  |
| Farm Supply                        | N/A         | N/A       | N/A        | N/A            | N/A   | N/A    |
| Total Sales                        | 2,391,664   | 2,460,455 | -68,791    | -2.8%          | 99.6%   | 99.6%  |
| Other Operating Revenues           | 10,480      | 9,207     | 1,273      | 13.8%          | 0.4%  | 0.4%   |
| Total Operating Revenues           | 2,402,144   | 2,469,662 | -67,518    | -2.7%          | 100.0%  | 100.0% |
| Cost of Goods Sold                 | 2,228,545   | 2,333,720 | -105,175   | -4.5%          | 92.8%   | 94.5%  |
| Gross Margin                       | 173,599     | 135,942   | 37,657     | 27.7%          | 7.2%  | 5.5%   |
| <b>Expenses</b>                    |             |           |            |                |   |        |
| Operating Expenses                 | 108,908     | 111,590   | -2,682     | -2.4%          | 4.5%  | 4.5%   |
| Net Operating Margins              | 64,691      | 24,352    | 40,339     | 165.6%         | 2.7%  | 1.0%   |
| Other Revenues (Expenses)          |             |           |            |                |   |        |
| Interest Expense                   | -31,000     | -45,970   | 14,970     | -32.6%         | -1.3%   | -1.9%  |
| Interest Revenue                   | 13,938      | 18,652    | -4,714     | -25.3%         | 0.6%  | 0.8%   |
| Other Income                       | 19,548      | 44,608    | -25,060    | -56.2%         | 0.8%  | 1.8%   |
| Net Margins from Operations        | 67,177      | 41,642    | 25,535     | 61.3%          | 2.8%  | 1.7%   |
| Non-Operating Rev. (Exp.)          | -13,513     | -7,345    | -6,168     | 84.0%          | -0.6%   | -0.3%  |
| Net Margins                        | 53,664      | 34,297    | 19,367     | 56.5%          | 2.2%  | 1.4%   |
| Percent of Total Distribution      |             |           |            |                |   |        |
| <b>Distribution of Net Margins</b> |             |           |            |                |   |        |
| Cash Patronage Dividends           | 1,656       | N/A       | 1,656      | N/A            | 3.1%  | N/A    |
| Retain Patronage Dividends         | 12,592      | N/A       | 12,592     | N/A            | 23.5%   | N/A    |
| Unallocated Equity                 | 17,361      | 20,900    | -3,539     | -16.9%         | 32.4%   | 60.9%  |
| Income Tax                         | 22,055      | 13,397    | 8,658      | 64.6%          | 41.1%   | 39.1%  |
| Total Distribution                 | 53,664      | 34,297    | 19,367     | 56.5%          | 100.0%  | 100.0% |

Appendix Table 8—Consolidated Statement of Operations, 2001-02, Rice Cooperatives

|                                      | 2002        | 2001      |            |                | 2002   | 2001   |
|--------------------------------------|-------------|-----------|------------|----------------|--|--------|
|                                      | \$ thousand |           | Difference | Percent Change | Common Sized Statement<br>Percent of Total Revenue |        |
| <b>Revenue</b>                       |             |           |            |                |  |        |
| Marketing                            | 1,047,247   | 1,035,663 | 11,584     | 1.1%           | 99.8%  | 99.7%  |
| Farm Supply                          | 2,138       | 2,624     | -486       | -18.5%         | 0.2%   | 0.3%   |
| Total Sales                          | 1,049,385   | 1,038,287 | 11,098     | 1.1%           | 100.0%   | 100.0% |
| Other Operating Revenues             | N/A         | N/A       | N/A        | N/A            | N/A  | N/A    |
| Total Operating Revenues             | 1,049,385   | 1,038,287 | 11,098     | 1.1%           | 100.0%   | 100.0% |
| Cost of Goods Sold                   | 741,992     | 716,781   | 25,211     | 3.5%           | 70.7%  | 69.0%  |
| Gross Margin                         | 307,393     | 321,506   | -14,113    | -4.4%          | 29.3%  | 31.0%  |
| <b>Expenses</b>                      |             |           |            |                |  |        |
| Operating Expenses                   | 292,242     | 306,544   | -14,302    | -4.7%          | 27.8%  | 29.5%  |
| Net Operating Margins                | 15,152      | 14,962    | 190        | 1.3%           | 1.4%   | 1.4%   |
| Other Revenues (Expenses)            |             |           |            |                |  |        |
| Interest Expense                     | -4,482      | -4,381    | -101       | 2.3%           | -0.4%  | -0.4%  |
| Other Income                         | 1,856       | 116       | 1,740      | 1500.0%        | 0.2%   | 0.0%   |
| Other Expenses                       | -1,963      | -2,256    | 293        | -13.0%         | -0.2%  | -0.2%  |
| Net Margins                          | 10,564      | 8,441     | 2,123      | 25.1%          | 1.0%   | 0.8%   |
| <i>Percent of Total Distribution</i> |             |           |            |                |  |        |
| <b>Distribution of Net Margins</b>   |             |           |            |                |  |        |
| Cash Patronage Dividends             | 5,797       | 7,519     | -1,722     | -22.9%         | 54.9%  | 89.1%  |
| Retain Patronage Dividends           | 527         | 563       | -36        | -6.4%          | 5.0%   | 6.7%   |
| Dividends                            | 447         | 446       | 1          | 0.2%           | 4.2%   | 5.3%   |
| Unallocated Equity                   | 3,781       | 827       | 2,954      | 357.2%         | 35.8%  | 9.8%   |
| Income Tax                           | 11          | -914      | 925        | -101.2%        | 0.1%   | -10.8% |
| Total Distribution                   | 10,564      | 8,441     | 2,123      | 25.1%          | 100.0%   | 100.0% |

Appendix Table 9—Consolidated Statement of Operations, 2001-02, Sugar Cooperatives

|                                      | 2002        | 2001      |            |                | 2002   | 2001   |
|--------------------------------------|-------------|-----------|------------|----------------|--|--------|
|                                      | \$ thousand |           | Difference | Percent Change | Common Sized Statement<br>Percent of Total Revenue |        |
| <b>Revenue</b>                       |             |           |            |                |  |        |
| Marketing                            | 1,426,102   | 1,540,684 | -114,582   | -7.4%          | 98.0%  | 97.9%  |
| Farm Supply                          | N/A         | 2,142     | -2,142     | -100.0%        | N/A  | 0.1%   |
| Total Sales                          | 1,426,102   | 1,542,826 | -116,724   | -7.6%          | 98.0%  | 98.1%  |
| Other Operating Revenues             | 29,679      | 30,559    | -880       | -2.9%          | 2.0%   | 1.9%   |
| Total Operating Revenues             | 1,455,781   | 1,573,385 | -117,604   | -7.5%          | 100.0%   | 100.0% |
| Cost of Goods Sold                   | 1,105,021   | 1,221,591 | -116,570   | -9.5%          | 75.9%  | 77.6%  |
| Gross Margin                         | 350,760     | 351,794   | -1,034     | -0.3%          | 24.1%  | 22.4%  |
| <b>Expenses</b>                      |             |           |            |                |  |        |
| Operating Expenses                   | 292,429     | 316,910   | -24,481    | -7.7%          | 20.1%  | 20.1%  |
| Net Operating Margins                | 58,331      | 34,884    | 23,447     | 67.2%          | 4.0%   | 2.2%   |
| Other Revenues (Expenses)            |             |           |            |                |  |        |
| Interest Expense                     | -36,460     | -48,423   | 11,963     | -24.7%         | -2.5%  | -3.1%  |
| Interest Revenue                     | 2,009       | 3,232     | -1,223     | -37.8%         | 0.1%   | 0.2%   |
| Other Income                         | 2,956       | 1,112     | 1,844      | 165.8%         | 0.2%   | 0.1%   |
| Other Expenses                       | -17,973     | -20,191   | 2,218      | -11.0%         | -1.2%  | -1.3%  |
| Net Margins                          | 8,863       | -29,386   | 38,249     | -130.2%        | 0.6%   | -1.9%  |
| <i>Percent of Total Distribution</i> |             |           |            |                |  |        |
| <b>Distribution of Net Margins</b>   |             |           |            |                |  |        |
| Cash Patronage Dividends             | 1,914       | N/A       | 1,914      | N/A            | 21.6%  | N/A    |
| Retain Patronage Dividends           | 3,573       | 1,560     | 2,013      | 129.0%         | 40.3%  | -5.3%  |
| Nonqualified Non-Cash Patronage      | 3,611       | 4,624     | -1,013     | -21.9%         | 40.7%  | -15.7% |
| Unallocated Equity                   | -300        | -35,679   | 35,379     | -99.2%         | -3.4%  | 121.4% |
| Income Tax                           | 65          | 109       | -44        | -40.4%         | 0.7%   | -0.4%  |
| Total Distribution                   | 8,863       | -29,386   | 38,249     | -130.2%        | 100.0%   | 100.0% |

Appendix Table 10—Combined Balance Sheet, 2001-02, Cotton Cooperatives

|                                 |             |         |            |         | 2002  | 2001   |
|---------------------------------|-------------|---------|------------|---------|---|--------|
|                                 | 2002        | 2001    |            | Percent |   |        |
|                                 | \$ thousand |         | Difference | Change  | Common Sized Statement<br>Percent of Total Assets |        |
| <b>Assets</b>                   |             |         |            |         |   |        |
| Current Assets                  |             |         |            |         |   |        |
| Cash                            | 11,185      | 3,632   | 7,553      | 207.9%  | 1.7%  | 0.4%   |
| Accounts Receivable             | 106,575     | 157,404 | (50,829)   | -32.3%  | 16.0%   | 18.1%  |
| Inventory                       | 242,286     | 270,654 | (28,368)   | -10.5%  | 36.3%   | 31.1%  |
| Other Current Assets            | 39,983      | 153,169 | (113,186)  | -73.9%  | 6.0%  | 17.6%  |
| Total Current Assets            | 400,030     | 584,859 | (184,829)  | -31.6%  | 60.0%   | 67.1%  |
| Investment                      |             |         |            |         |   |        |
| Bank of Cooperatives            | 25,103      | 23,123  | 1,980      | 8.6%    | 3.8%  | 2.7%   |
| Other Cooperatives              | 3,290       | 2,379   | 911        | 38.3%   | 0.5%  | 0.3%   |
| Other Investments               | 26,662      | 28,332  | (1,670)    | -5.9%   | 4.0%  | 3.3%   |
| Total Investments               | 55,055      | 53,834  | 1,221      | 2.3%    | 8.3%  | 6.2%   |
| Net Fixed Assets                | 188,629     | 196,764 | (8,135)    | -4.1%   | 28.3%   | 22.6%  |
| Other Assets                    | 23,189      | 36,029  | (12,840)   | -35.6%  | 3.5%  | 4.1%   |
| Total Assets                    | 666,903     | 871,486 | (204,583)  | -23.5%  | 100.0%  | 100.0% |
| <b>Liabilities</b>              |             |         |            |         |   |        |
| Current Liabilities             |             |         |            |         |   |        |
| Short-Term Debt                 | 199,468     | 426,303 | (226,835)  | -53.2%  | 29.9%   | 48.9%  |
| Accounts Payable                | 13,631      | 21,078  | (7,447)    | -35.3%  | 2.0%  | 2.4%   |
| Member Payables                 | 39,675      | 19,819  | 19,856     | 100.2%  | 5.9%  | 2.3%   |
| Patron and Pool Liabilities     | 48,989      | 7,164   | 41,825     | 583.8%  | 7.3%  | 0.8%   |
| Other Current Liabilities       | 16,370      | 21,591  | (5,221)    | -24.2%  | 2.5%  | 2.5%   |
| Total Current Liabilities       | 318,133     | 495,955 | (177,822)  | -35.9%  | 47.7%   | 56.9%  |
| Non-Current Liabilities         |             |         |            |         |   |        |
| Long-Term Debt                  |             |         |            |         |   |        |
| Less Current Portion            | 63,420      | 88,651  | (25,231)   | -28.5%  | 9.5%  | 10.2%  |
| Other Liabilities               | 5,620       | 15,109  | (9,489)    | -62.8%  | 0.8%  | 1.7%   |
| Total Non-Current Liabilities   | 69,040      | 103,760 | (34,720)   | -33.5%  | 10.4%   | 11.9%  |
| Total Liabilities               | 387,173     | 599,715 | (212,542)  | -35.4%  | 58.1%   | 68.8%  |
| <b>Equity</b>                   |             |         |            |         |   |        |
| Common Stock                    | 13          | 13      | 0          | 0.0%    | 0.0%  | 0.0%   |
| Equity Certificates and Credits | 257,267     | 262,695 | (5,428)    | -2.1%   | 38.6%   | 30.1%  |
| Unallocated Equity              | 22,450      | 9,063   | 13,387     | 147.7%  | 3.4%  | 1.0%   |
| Total Equity                    | 279,730     | 271,771 | 7,959      | 2.9%    | 41.9%   | 31.2%  |
| Total Liabilities and Equity    | 666,903     | 871,486 | (204,583)  | -23.5%  | 100.0%  | 100.0% |

Appendix Table 11—Combined Balance Sheet, 2001-02, Dairy Cooperatives

|                                 |             |           |            |                | 2002  | 2001   |
|---------------------------------|-------------|-----------|------------|----------------|---|--------|
|                                 | 2002        | 2001      |            |                |   |        |
|                                 | \$ thousand |           | Difference | Percent Change | Common Sized Statement<br>Percent of Total Assets |        |
| <b>Assets</b>                   |             |           |            |                |   |        |
| Current Assets                  |             |           |            |                |   |        |
| Cash                            | 189,996     | 350,790   | (160,794)  | -45.8%         | 3.9%  | 6.9%   |
| Accounts Receivable             | 1,164,253   | 1,289,420 | (125,167)  | -9.7%          | 24.1%   | 25.3%  |
| Inventory                       | 666,231     | 669,589   | (3,358)    | -0.5%          | 13.8%   | 13.1%  |
| Other Current Assets            | 198,249     | 178,416   | 19,833     | 11.1%          | 4.1%  | 3.5%   |
| Total Current Assets            | 2,218,729   | 2,488,215 | (269,486)  | -10.8%         | 45.9%   | 48.8%  |
| Investment                      |             |           |            |                |   |        |
| Bank of Cooperatives            | 31,610      | 30,227    | 1,383      | 4.6%           | 0.7%  | 0.6%   |
| Other Cooperatives              | 60,063      | 56,493    | 3,570      | 6.3%           | 1.2%  | 1.1%   |
| Other Investments               | 1,127,394   | 1,135,913 | (8,519)    | -0.7%          | 23.3%   | 22.3%  |
| Total Investments               | 1,219,067   | 1,222,633 | (3,566)    | -0.3%          | 25.2%   | 24.0%  |
| Net Fixed Assets                | 1,212,168   | 1,265,779 | (53,611)   | -4.2%          | 25.1%   | 24.8%  |
| Other Assets                    | 187,621     | 121,808   | 65,813     | 54.0%          | 3.9%  | 2.4%   |
| Total Assets                    | 4,837,585   | 5,098,435 | (260,850)  | -5.1%          | 100.0%  | 100.0% |
| <b>Liabilities</b>              |             |           |            |                |   |        |
| Current Liabilities             |             |           |            |                |   |        |
| Short-Term Debt                 | 230,908     | 234,649   | (3,741)    | -1.6%          | 4.8%  | 4.6%   |
| Accounts Payable                | 571,307     | 638,330   | (67,023)   | -10.5%         | 11.8%   | 12.5%  |
| Member Payables                 | 331,558     | 369,873   | (38,315)   | -10.4%         | 6.9%  | 7.3%   |
| Patron and Pool Liabilities     | 546,824     | 707,776   | (160,952)  | -22.7%         | 11.3%   | 13.9%  |
| Other Current Liabilities       | 198,595     | 202,775   | (4,180)    | -2.1%          | 4.1%  | 4.0%   |
| Total Current Liabilities       | 1,879,192   | 2,153,403 | (274,211)  | -12.7%         | 38.8%   | 42.2%  |
| Non-Current Liabilities         |             |           |            |                |   |        |
| Long-Term Debt                  |             |           |            |                |   |        |
| Less Current Portion            | 546,151     | 656,968   | (110,817)  | -16.9%         | 11.3%   | 12.9%  |
| Other Liabilities               | 227,377     | 95,122    | 132,255    | 139.0%         | 4.7%  | 1.9%   |
| Total Non-Current Liabilities   | 773,528     | 752,090   | 21,438     | 2.9%           | 16.0%   | 14.8%  |
| Total Liabilities               | 2,652,720   | 2,905,493 | (252,773)  | -8.7%          | 54.8%   | 57.0%  |
| Minority Interest               | 377,837     | 377,962   | (125)      | 0.0%           | 7.8%  | 7.4%   |
| <b>Equity</b>                   |             |           |            |                |   |        |
| Preferred Stock                 | 68,157      | 69,964    | (1,807)    | -2.6%          | 1.4%  | 1.4%   |
| Common Stock                    | 25          | 23        | 2          | 7.4%           | 0.0%  | 0.0%   |
| Equity Certificates and Credits | 1,438,435   | 1,382,232 | 56,203     | 4.1%           | 29.7%   | 27.1%  |
| Unallocated Equity              | 300,411     | 362,761   | (62,350)   | -17.2%         | 6.2%  | 7.1%   |
| Total Equity                    | 1,807,028   | 1,814,980 | (7,952)    | -0.4%          | 37.4%   | 35.6%  |
| Total Liabilities and Equity    | 4,837,585   | 5,098,435 | 260,850)   | -5.1%          | 100.0%  | 100.0% |

Appendix Table 12—Combined Balance Sheet, 2001-02, Diversified Cooperatives

|                                 |             |            |            |         | 2002                    | 2001   |
|---------------------------------|-------------|------------|------------|---------|-------------------------|--------|
|                                 | 2002        | 2001       |            | Percent | Common Sized Statement  |        |
|                                 | \$ thousand |            | Difference | Change  | Percent of Total Assets |        |
| <b>Assets</b>                   |             |            |            |         |                         |        |
| Current Assets                  |             |            |            |         |                         |        |
| Cash                            | 174,936     | 244,846    | (69,910)   | -28.6%  | 1.6%                    | 2.3%   |
| Accounts Receivable             | 1,871,757   | 1,824,980  | 46,777     | 2.6%    | 17.5%                   | 17.0%  |
| Inventory                       | 1,598,291   | 1,571,728  | 26,563     | 1.7%    | 15.0%                   | 14.7%  |
| Other Current Assets            | 552,254     | 785,051    | (232,797)  | -29.7%  | 5.2%                    | 7.3%   |
| Total Current Assets            | 4,197,238   | 4,426,605  | (229,367)  | -5.2%   | 39.3%                   | 41.3%  |
| Investment                      |             |            |            |         |                         |        |
| Bank of Cooperatives            | 82,489      | 87,681     | (5,192)    | -5.9%   | 0.8%                    | 0.8%   |
| Other Cooperatives              | 938,367     | 955,527    | (17,160)   | -1.8%   | 8.8%                    | 8.9%   |
| Other Investments               | 407,039     | 403,260    | 3,779      | 0.9%    | 3.8%                    | 3.8%   |
| Total Investments               | 1,427,895   | 1,446,468  | (18,573)   | -1.3%   | 13.4%                   | 13.5%  |
| Net Fixed Assets                | 2,698,064   | 2,597,393  | 100,671    | 3.9%    | 25.3%                   | 24.2%  |
| Other Assets                    | 2,357,122   | 2,250,699  | 106,423    | 4.7%    | 22.1%                   | 21.0%  |
| Total Assets                    | 10,680,319  | 10,721,165 | (40,846)   | -0.4%   | 100.0%                  | 100.0% |
| <b>Liabilities</b>              |             |            |            |         |                         |        |
| Current Liabilities             |             |            |            |         |                         |        |
| Short-Term Debt                 | 1,129,907   | 662,431    | 467,476    | 70.6%   | 10.6%                   | 6.2%   |
| Accounts Payable                | 1,370,129   | 1,472,547  | (102,418)  | -7.0%   | 12.8%                   | 13.7%  |
| Member Payables                 | 68,898      | 101,054    | (32,156)   | -31.8%  | 0.6%                    | 0.9%   |
| Patron and Pool Liabilities     | 195,584     | 147,621    | 47,963     | 32.5%   | 1.8%                    | 1.4%   |
| Other Current Liabilities       | 789,125     | 1,090,983  | (301,858)  | -27.7%  | 7.4%                    | 10.2%  |
| Total Current Liabilities       | 3,553,643   | 3,474,636  | 79,007     | 2.3%    | 33.3%                   | 32.4%  |
| Non-Current Liabilities         |             |            |            |         |                         |        |
| Long-Term Debt                  |             |            |            |         |                         |        |
| Less Current Portion            | 2,065,904   | 2,840,327  | (774,423)  | -27.3%  | 19.3%                   | 26.5%  |
| Other Liabilities               | 2,122,798   | 1,142,168  | 980,630    | 85.9%   | 19.9%                   | 10.7%  |
| Total Non-Current Liabilities   | 4,188,702   | 3,982,495  | 206,207    | 5.2%    | 39.2%                   | 37.1%  |
| Total Liabilities               | 7,742,345   | 7,457,131  | 285,214    | 3.8%    | 72.5%                   | 69.6%  |
| Minority Interest               | 188,213     | 179,892    | 8,321      | 4.6%    | 1.8%                    | 1.7%   |
| <b>Equity</b>                   |             |            |            |         |                         |        |
| Preferred Stock                 | 132,920     | 138,529    | (5,609)    | -4.0%   | 1.2%                    | 1.3%   |
| Common Stock                    | 554,564     | 559,383    | (4,819)    | -0.9%   | 5.2%                    | 5.2%   |
| Equity Certificates and Credits | 1,865,963   | 2,075,885  | (209,922)  | -10.1%  | 17.5%                   | 19.4%  |
| Unallocated Equity              | 196,314     | 310,345    | (114,031)  | -36.7%  | 1.8%                    | 2.9%   |
| Total Equity                    | 2,749,761   | 3,084,142  | (334,381)  | -10.8%  | 25.7%                   | 28.8%  |
| Total Liabilities and Equity    | 10,680,319  | 10,721,165 | (40,846)   | -0.4%   | 100.0%                  | 100.0% |

Appendix Table 13—Combined Balance Sheet, 2001-02, Fruit/Vegetable Cooperatives

|                                 | 2002        | 2001      |            |                | 2002   | 2001   |
|---------------------------------|-------------|-----------|------------|----------------|--|--------|
|                                 | \$ thousand |           | Difference | Percent Change | Common Sized Statement Percent of Total Assets |        |
| <b>Assets</b>                   |             |           |            |                |  |        |
| Current Assets                  |             |           |            |                |  |        |
| Cash                            | 59,958      | 48,751    | 11,207     | 23.0%          | 2.0%   | 1.5%   |
| Accounts Receivable             | 433,273     | 475,116   | (41,843)   | -8.8%          | 14.7%  | 14.8%  |
| Inventory                       | 1,028,092   | 1,070,997 | (42,905)   | -4.0%          | 34.8%  | 33.3%  |
| Other Current Assets            | 113,388     | 136,395   | (23,007)   | -16.9%         | 3.8%   | 4.2%   |
| Total Current Assets            | 1,634,712   | 1,731,259 | (96,547)   | -5.6%          | 55.3%  | 53.8%  |
| Investment                      |             |           |            |                |  |        |
| Bank of Cooperatives            | 37,367      | 42,937    | (5,570)    | -13.0%         | 1.3%   | 1.3%   |
| Other Cooperatives              | 11,401      | 7,834     | 3,567      | 45.5%          | 0.4%   | 0.2%   |
| Other Investments               | 95,988      | 102,250   | (6,262)    | -6.1%          | 3.2%   | 3.2%   |
| Total Investments               | 144,755     | 153,021   | (8,266)    | -5.4%          | 4.9%   | 4.8%   |
| Net Fixed Assets                | 937,238     | 935,584   | 1,654      | 0.2%           | 31.7%  | 29.1%  |
| Other Assets                    | 237,387     | 397,442   | (160,055)  | -40.3%         | 8.0%   | 12.4%  |
| Total Assets                    | 2,954,092   | 3,217,306 | (263,214)  | -8.2%          | 100.0%   | 100.0% |
| <b>Liabilities</b>              |             |           |            |                |  |        |
| Current Liabilities             |             |           |            |                |  |        |
| Short-Term Debt                 | 271,639     | 332,429   | (60,790)   | -18.3%         | 9.2%   | 10.3%  |
| Accounts Payable                | 268,329     | 329,221   | (60,892)   | -18.5%         | 9.1%   | 10.2%  |
| Member Payables                 | 37,839      | 25,212    | 12,627     | 50.1%          | 1.3%   | 0.8%   |
| Patron and Pool Liabilities     | 228,419     | 226,662   | 1,757      | 0.8%           | 7.7%   | 7.0%   |
| Other Current Liabilities       | 129,972     | 125,044   | 4,928      | 3.9%           | 4.4%   | 3.9%   |
| Total Current Liabilities       | 936,198     | 1,038,568 | (102,370)  | -9.9%          | 31.7%  | 32.3%  |
| Non-Current Liabilities         |             |           |            |                |  |        |
| Long-Term Debt                  |             |           |            |                |  |        |
| Less Current Portion            | 1,054,726   | 1,077,601 | (22,875)   | -2.1%          | 35.7%  | 33.5%  |
| Other Liabilities               | 171,602     | 197,087   | (25,485)   | -12.9%         | 5.8%   | 6.1%   |
| Total Non-Current Liabilities   | 1,226,328   | 1,274,688 | (48,360)   | -3.8%          | 41.5%  | 39.6%  |
| Total Liabilities               | 2,162,526   | 2,313,256 | (150,730)  | -6.5%          | 73.2%  | 71.9%  |
| Minority Interest               | 15,000      | 15,000    | -          | 0.0%           | 0.5%   | 0.5%   |
| <b>Equity</b>                   |             |           |            |                |  |        |
| Preferred Stock                 | 3,909       | 5,215     | (1,306)    | -25.0%         | 0.1%   | 0.2%   |
| Common Stock                    | 27,112      | 27,115    | (3)        | 0.0%           | 0.9%   | 0.8%   |
| Equity Certificates and Credits | 670,278     | 653,861   | 16,417     | 2.5%           | 22.7%  | 20.3%  |
| Unallocated Equity              | 75,267      | 202,859   | (127,592)  | -62.9%         | 2.5%   | 6.3%   |
| Total Equity                    | 776,566     | 889,050   | (112,484)  | -12.7%         | 26.3%  | 27.6%  |
| Total Liabilities and Equity    | 2,954,092   | 3,217,306 | (263,214)  | -8.2%          | 100.0%   | 100.0% |

Appendix Table 14—Combined Balance Sheet, 2001-02, Farm Supply Cooperatives

|                                 |             |           |            |                | 2002  | 2001   |
|---------------------------------|-------------|-----------|------------|----------------|---|--------|
|                                 | 2002        | 2001      |            |                |   |        |
|                                 | \$ thousand |           | Difference | Percent Change | Common Sized Statement<br>Percent of Total Assets |        |
| <b>Assets</b>                   |             |           |            |                |   |        |
| Current Assets                  |             |           |            |                |   |        |
| Cash                            | 47,800      | 28,300    | 19,500     | 68.9%          | 1.8%  | 1.1%   |
| Accounts Receivable             | 646,055     | 499,386   | 146,669    | 29.4%          | 24.6%   | 19.8%  |
| Inventory                       | 589,437     | 607,581   | (18,144)   | -3.0%          | 22.5%   | 24.1%  |
| Other Current Assets            | 94,436      | 83,743    | 10,693     | 12.8%          | 3.6%  | 3.3%   |
| Total Current Assets            | 1,377,729   | 1,219,010 | 158,719    | 13.0%          | 52.6%   | 48.3%  |
| Investment                      |             |           |            |                |   |        |
| Bank of Cooperatives            | 64,641      | 57,199    | 7,442      | 13.0%          | 2.5%  | 2.3%   |
| Other Cooperatives              | 490,325     | 527,147   | (36,822)   | -7.0%          | 18.7%   | 20.9%  |
| Other Investments               | 80,262      | 84,440    | (4,178)    | -4.9%          | 3.1%  | 3.3%   |
| Total Investments               | 635,228     | 668,786   | (33,558)   | -5.0%          | 24.2%   | 26.5%  |
| Net Fixed Assets                | 490,769     | 529,029   | (38,260)   | -7.2%          | 18.7%   | 20.9%  |
| Other Assets                    | 117,881     | 108,612   | 9,269      | 8.5%           | 4.5%  | 4.3%   |
| Total Assets                    | 2,621,607   | 2,525,437 | 96,170     | 3.8%           | 100.0%  | 100.0% |
| <b>Liabilities</b>              |             |           |            |                |   |        |
| Current Liabilities             |             |           |            |                |   |        |
| Short-Term Debt                 | 372,591     | 375,512   | (2,921)    | -0.8%          | 14.2%   | 14.9%  |
| Accounts Payable                | 416,025     | 416,160   | (135)      | 0.0%           | 15.9%   | 16.5%  |
| Member Payables                 | 19,789      | 18,476    | 1,313      | 7.1%           | 0.8%  | 0.7%   |
| Patron and Pool Liabilities     | 35,213      | 26,858    | 8,355      | 31.1%          | 1.3%  | 1.1%   |
| Other Current Liabilities       | 113,936     | 92,711    | 21,225     | 22.9%          | 4.3%  | 3.7%   |
| Total Current Liabilities       | 957,555     | 929,717   | 27,838     | 3.0%           | 36.5%   | 36.8%  |
| Non-Current Liabilities         |             |           |            |                |   |        |
| Long-Term Debt                  |             |           |            |                |   |        |
| Less Current Portion            | 570,894     | 443,057   | 127,837    | 28.9%          | 21.8%   | 17.5%  |
| Other Liabilities               | 77,106      | 76,974    | 132        | 0.2%           | 2.9%  | 3.0%   |
| Total Non-Current Liabilities   | 647,999     | 520,031   | 127,968    | 24.6%          | 24.7%   | 20.6%  |
| Total Liabilities               | 1,605,554   | 1,449,748 | 155,806    | 10.7%          | 61.2%   | 57.4%  |
| Minority Interest               | 10,602      | 10,618    | (16)       | -0.2%          | 0.4%  | 0.4%   |
| <b>Equity</b>                   |             |           |            |                |   |        |
| Preferred Stock                 | 360,445     | 355,625   | 4,820      | 1.4%           | 13.7%   | 14.1%  |
| Common Stock                    | 11,814      | 11,915    | (101)      | -0.8%          | 0.5%  | 0.5%   |
| Equity Certificates and Credits | 397,134     | 387,699   | 9,435      | 2.4%           | 15.1%   | 15.4%  |
| Unallocated Equity              | 236,058     | 309,832   | (73,774)   | -23.8%         | 9.0%  | 12.3%  |
| Total Equity                    | 1,005,451   | 1,065,071 | (59,620)   | -5.6%          | 38.4%   | 42.2%  |
| Total Liabilities and Equity    | 2,621,607   | 2,525,437 | 96,170     | 3.8%           | 100.0%  | 100.0% |

Appendix Table 15—Combined Balance Sheet, 2001-02, Grain Cooperatives

|                                 |             |           |            |                | 2002  | 2001   |
|---------------------------------|-------------|-----------|------------|----------------|---|--------|
|                                 | 2002        | 2001      |            |                |   |        |
|                                 | \$ thousand |           | Difference | Percent Change | Common Sized Statement<br>Percent of Total Assets |        |
| <b>Assets</b>                   |             |           |            |                |   |        |
| Current Assets                  |             |           |            |                |   |        |
| Cash                            | 69,348      | 75,646    | (6,298)    | -8.3%          | 2.7%  | 3.2%   |
| Accounts Receivable             | 412,885     | 415,143   | (2,259)    | -0.5%          | 15.8%   | 17.4%  |
| Inventory                       | 757,022     | 655,714   | 101,308    | 15.5%          | 29.0%   | 27.5%  |
| Other Current Assets            | 125,293     | 118,434   | 6,859      | 5.8%           | 4.8%  | 5.0%   |
| Total Current Assets            | 1,364,548   | 1,264,937 | 99,610     | 7.9%           | 52.3%   | 53.1%  |
| Investment                      |             |           |            |                |   |        |
| Bank of Cooperatives            | 47,944      | 47,571    | 373        | 0.8%           | 1.8%  | 2.0%   |
| Other Cooperatives              | 207,728     | 199,918   | 7,810      | 3.9%           | 8.0%  | 8.4%   |
| Other Investments               | 67,937      | 65,918    | 2,020      | 3.1%           | 2.6%  | 2.8%   |
| Total Investments               | 323,609     | 313,407   | 10,202     | 3.3%           | 12.4%   | 13.2%  |
| Net Fixed Assets                | 822,044     | 744,997   | 77,047     | 10.3%          | 31.5%   | 31.3%  |
| Other Assets                    | 100,391     | 58,800    | 41,591     | 70.7%          | 3.8%  | 2.5%   |
| Total Assets                    | 2,610,592   | 2,382,141 | 228,451    | 9.6%           | 100.0%  | 100.0% |
| <b>Liabilities</b>              |             |           |            |                |   |        |
| Current Liabilities             |             |           |            |                |   |        |
| Short-Term Debt                 | 546,672     | 437,670   | 109,001    | 24.9%          | 20.9%   | 18.4%  |
| Accounts Payable                | 221,336     | 211,950   | 9,386      | 4.4%           | 8.5%  | 8.9%   |
| Member Payables                 | 21,244      | 25,100    | (3,856)    | -15.4%         | 0.8%  | 1.1%   |
| Patron and Pool Liabilities     | 176,178     | 177,924   | (1,746)    | -1.0%          | 6.7%  | 7.5%   |
| Other Current Liabilities       | 139,639     | 129,839   | 9,800      | 7.5%           | 5.3%  | 5.5%   |
| Total Current Liabilities       | 1,105,068   | 982,484   | 122,585    | 12.5%          | 42.3%   | 41.2%  |
| Non-Current Liabilities         |             |           |            |                |   |        |
| Long-Term Debt                  |             |           |            |                |   |        |
| Less Current Portion            | 372,303     | 349,124   | 23,180     | 6.6%           | 14.3%   | 14.7%  |
| Other Liabilities               | 45,012      | 25,210    | 19,802     | 78.5%          | 1.7%  | 1.1%   |
| Total Non-Current Liabilities   | 417,315     | 374,333   | 42,981     | 11.5%          | 16.0%   | 15.7%  |
| Total Liabilities               | 1,522,383   | 1,356,817 | 165,566    | 12.2%          | 58.3%   | 57.0%  |
| Minority Interest               | 74,036      | 73,819    | 217        | 0.3%           | 2.8%  | 3.1%   |
| <b>Equity</b>                   |             |           |            |                |   |        |
| Preferred Stock                 | 121,230     | 95,594    | 25,636     | 26.8%          | 4.6%  | 4.0%   |
| Common Stock                    | 24,351      | 19,180    | 5,171      | 27.0%          | 0.9%  | 0.8%   |
| Equity Certificates and Credits | 611,909     | 596,748   | 15,161     | 2.5%           | 23.4%   | 25.1%  |
| Unallocated Equity              | 256,684     | 239,983   | 16,700     | 7.0%           | 9.8%  | 10.1%  |
| Total Equity                    | 1,014,173   | 951,505   | 62,668     | 6.6%           | 38.8%   | 39.9%  |
| Total Liabilities and Equity    | 2,610,592   | 2,382,141 | 228,451    | 9.6%           | 100.0%  | 100.0% |

Appendix Table 16—Combined Balance Sheet, 2001-02, Poultry/Livestock Cooperatives

|                                 |             |           |            |                | 2002   | 2001   |
|---------------------------------|-------------|-----------|------------|----------------|--|--------|
|                                 | 2002        | 2001      |            |                |  |        |
|                                 | \$ thousand |           | Difference | Percent Change | Common Sized Statement Percent of Total Assets |        |
| <b>Assets</b>                   |             |           |            |                |  |        |
| Current Assets                  |             |           |            |                |  |        |
| Cash                            | 12,122      | 24,072    | (11,950)   | -49.6%         | 1.4%   | 2.4%   |
| Accounts Receivable             | 187,484     | 202,950   | (15,466)   | -7.6%          | 21.0%  | 20.2%  |
| Inventory                       | 191,967     | 176,663   | 15,304     | 8.7%           | 21.5%  | 17.6%  |
| Other Current Assets            | 41,855      | 103,338   | (61,483)   | -59.5%         | 4.7%   | 10.3%  |
| Total Current Assets            | 433,428     | 507,023   | (73,595)   | -14.5%         | 48.5%  | 50.5%  |
| Investment                      |             |           |            |                |  |        |
| Bank of Cooperatives            | 3,660       | 3,172     | 488        | 15.4%          | 0.4%   | 0.3%   |
| Other Cooperatives              | 83,743      | 83,384    | 359        | 0.4%           | 9.4%   | 8.3%   |
| Other Investments               | 9,911       | 40,262    | (30,351)   | -75.4%         | 1.1%   | 4.0%   |
| Total Investments               | 97,314      | 126,818   | (29,504)   | -23.3%         | 10.9%  | 12.6%  |
| Net Fixed Assets                | 235,122     | 235,990   | (868)      | -0.4%          | 26.3%  | 23.5%  |
| Other Assets                    | 127,814     | 133,987   | (6,173)    | -4.6%          | 14.3%  | 13.3%  |
| Total Assets                    | 893,678     | 1,003,818 | (110,140)  | -11.0%         | 100.0%   | 100.0% |
| <b>Liabilities</b>              |             |           |            |                |  |        |
| Current Liabilities             |             |           |            |                |  |        |
| Short-Term Debt                 | 82,157      | 195,907   | (113,750)  | -58.1%         | 9.2%   | 19.5%  |
| Accounts Payable                | 90,631      | 101,786   | (11,155)   | -11.0%         | 10.1%  | 10.1%  |
| Other Current Liabilities       | 97,773      | 82,765    | 15,008     | 18.1%          | 10.9%  | 8.2%   |
| Total Current Liabilities       | 270,561     | 380,458   | (109,897)  | -28.9%         | 30.3%  | 37.9%  |
| Non-Current Liabilities         |             |           |            |                |  |        |
| Long-Term Debt                  |             |           |            |                |  |        |
| Less Current Portion            | 270,209     | 286,218   | (16,009)   | -5.6%          | 30.2%  | 28.5%  |
| Other Liabilities               | 65,404      | 56,004    | 9,400      | 16.8%          | 7.3%   | 5.6%   |
| Total Non-Current Liabilities   | 335,613     | 342,222   | (6,609)    | -1.9%          | 37.6%  | 34.1%  |
| Total Liabilities               | 606,174     | 722,680   | (116,506)  | -16.1%         | 67.8%  | 72.0%  |
| Minority Interest               | 2,060       | 2,080     | (20)       | -1.0%          | 0.2%   | 0.2%   |
| <b>Equity</b>                   |             |           |            |                |  |        |
| Common Stock                    | 18          | 29        | (11)       | -37.9%         | 0.0%   | 0.0%   |
| Equity Certificates and Credits | 204,262     | 197,809   | 6,453      | 3.3%           | 22.9%  | 19.7%  |
| Unallocated Equity              | 81,164      | 81,220    | (56)       | -0.1%          | 9.1%   | 8.1%   |
| Total Equity                    | 285,444     | 279,058   | 6,386      | 2.3%           | 31.9%  | 27.8%  |
| Total Liabilities and Equity    | 893,678     | 1,003,818 | (110,140)  | -11.0%         | 100.0%   | 100.0% |

Appendix Table 17—Combined Balance Sheet, 2001-02, Rice Cooperatives

|                                 |             |         |            |                | 2002  | 2001   |
|---------------------------------|-------------|---------|------------|----------------|---|--------|
|                                 | 2002        | 2001    |            |                |   |        |
|                                 | \$ thousand |         | Difference | Percent Change | Common Sized Statement<br>Percent of Total Assets |        |
| <b>Assets</b>                   |             |         |            |                |   |        |
| Current Assets                  |             |         |            |                |   |        |
| Cash                            | 29,244      | 23,602  | 5,642      | 23.9%          | 6.1%  | 5.0%   |
| Accounts Receivable             | 95,885      | 8,877   | 17,008     | 21.6%          | 20.0%   | 16.7%  |
| Inventory                       | 131,145     | 134,239 | (3,094)    | -2.3%          | 27.4%   | 28.5%  |
| Other Current Assets            | 4,806       | 5,821   | (1,015)    | -17.4%         | 1.0%  | 1.2%   |
| Total Current Assets            | 261,079     | 242,539 | 18,540     | 7.6%           | 54.6%   | 51.4%  |
| Investment                      |             |         |            |                |   |        |
| Bank of Cooperatives            | 7,930       | 15,339  | (7,409)    | -48.3%         | 1.7%  | 3.3%   |
| Other Investments               | 7,406       | 17,164  | (9,758)    | -56.9%         | 1.5%  | 3.6%   |
| Total Investments               | 15,336      | 32,503  | (17,167)   | -52.8%         | 3.2%  | 6.9%   |
| Net Fixed Assets                | 200,069     | 194,434 | 5,635      | 2.9%           | 41.8%   | 41.2%  |
| Other Assets                    | 1,768       | 2,358   | (590)      | -25.0%         | 0.4%  | 0.5%   |
| Total Assets                    | 478,252     | 471,834 | 6,418      | 1.4%           | 100.0%  | 100.0% |
| <b>Liabilities</b>              |             |         |            |                |   |        |
| Current Liabilities             |             |         |            |                |   |        |
| Short-Term Debt                 | 77,826      | 73,846  | 3,980      | 5.4%           | 16.3%   | 15.7%  |
| Accounts Payable                | 26,579      | 29,521  | (2,942)    | -10.0%         | 5.6%  | 6.3%   |
| Member Payables                 | 1,405       | 1,418   | (13)       | -0.9%          | 0.3%  | 0.3%   |
| Patron and Pool Liabilities     | 34,474      | 34,921  | (447)      | -1.3%          | 7.2%  | 7.4%   |
| Other Current Liabilities       | 11,854      | 18,359  | (6,505)    | -35.4%         | 2.5%  | 3.9%   |
| Total Current Liabilities       | 152,137     | 158,065 | (5,928)    | -3.8%          | 31.8%   | 33.5%  |
| Non-Current Liabilities         |             |         |            |                |   |        |
| Long-Term Debt                  |             |         |            |                |   |        |
| Less Current Portion            | 62,402      | 65,671  | (3,269)    | -5.0%          | 13.0%   | 13.9%  |
| Total Non-Current Liabilities   | 62,402      | 65,671  | (3,269)    | -5.0%          | 13.0%   | 13.9%  |
| Total Liabilities               | 214,539     | 23,736  | (9,197)    | -4.1%          | 44.9%   | 47.4%  |
| <b>Equity</b>                   |             |         |            |                |   |        |
| Common Stock                    | 9           | 8       | 1          | 8.4%           | 0.0%  | 0.0%   |
| Equity Certificates and Credits | 175,275     | 64,928  | 10,347     | 6.3%           | 36.6%   | 35.0%  |
| Unallocated Equity              | 88,429      | 3,162   | 5,267      | 6.3%           | 18.5%   | 17.6%  |
| Total Equity                    | 263,713     | 48,098  | 15,615     | 6.3%           | 55.1%   | 52.6%  |
| Total Liabilities and Equity    | 478,252     | 71,834  | 6,418      | 1.4%           | 100.0%  | 100.0% |

Appendix Table 18—Combined Balance Sheet, 2001-02, Sugar Cooperatives

|                                 |             |           |            |                | 2002  | 2001   |
|---------------------------------|-------------|-----------|------------|----------------|---|--------|
|                                 | 2002        | 2001      |            |                |   |        |
|                                 | \$ thousand |           | Difference | Percent Change | Common Sized Statement<br>Percent of Total Assets |        |
| <b>Assets</b>                   |             |           |            |                |   |        |
| Current Assets                  |             |           |            |                |   |        |
| Cash                            | 2,636       | 12,891    | (10,255)   | -79.6%         | 0.2%  | 0.9%   |
| Accounts Receivable             | 116,491     | 140,490   | (23,999)   | -17.1%         | 8.0%  | 9.5%   |
| Inventory                       | 255,551     | 239,183   | 16,368     | 6.8%           | 17.5%   | 16.1%  |
| Other Current Assets            | 22,707      | 21,452    | 1,255      | 5.9%           | 1.6%  | 1.4%   |
| Total Current Assets            | 397,385     | 414,016   | (16,631)   | -4.0%          | 27.2%   | 27.9%  |
| Investment                      |             |           |            |                |   |        |
| Bank of Cooperatives            | 18,022      | 18,891    | (869)      | -4.6%          | 1.2%  | 1.3%   |
| Other Cooperatives              | 12,046      | 9,607     | 2,439      | 25.4%          | 0.8%  | 0.6%   |
| Other Investments               | 56,315      | 53,983    | 2,332      | 4.3%           | 3.9%  | 3.6%   |
| Total Investments               | 86,383      | 82,481    | 3,902      | 4.7%           | 5.9%  | 5.6%   |
| Net Fixed Assets                | 683,080     | 713,001   | (29,921)   | -4.2%          | 46.8%   | 48.1%  |
| Other Assets                    | 293,067     | 273,084   | 19,983     | 7.3%           | 20.1%   | 18.4%  |
| Total Assets                    | 1,459,915   | 1,482,582 | (22,667)   | -1.5%          | 100.0%  | 100.0% |
| <b>Liabilities</b>              |             |           |            |                |   |        |
| Current Liabilities             |             |           |            |                |   |        |
| Short-Term Debt                 | 147,955     | 158,363   | (10,408)   | -6.6%          | 10.1%   | 10.7%  |
| Accounts Payable                | 72,267      | 83,214    | (10,947)   | -13.2%         | 5.0%  | 5.6%   |
| Member Payables                 | 1,914       | -         | 1,914      | N/A            | 0.1%  | N/A    |
| Patron and Pool Liabilities     | 89,413      | 97,583    | (8,170)    | -8.4%          | 6.1%  | 6.6%   |
| Other Current Liabilities       | 24,178      | 24,523    | (345)      | -1.4%          | 1.7%  | 1.7%   |
| Total Current Liabilities       | 335,727     | 363,683   | (27,956)   | -7.7%          | 23.0%   | 24.5%  |
| Non-Current Liabilities         |             |           |            |                |   |        |
| Long-Term Debt                  |             |           |            |                |   |        |
| Less Current Portion            | 366,713     | 386,337   | (19,624)   | -5.1%          | 25.1%   | 26.1%  |
| Other Liabilities               | 98,399      | 75,150    | 23,249     | 30.9%          | 6.7%  | 5.1%   |
| Total Non-Current Liabilities   | 465,112     | 461,487   | 3,625      | 0.8%           | 31.9%   | 31.1%  |
| Total Liabilities               | 800,839     | 825,170   | (24,331)   | -2.9%          | 54.9%   | 55.7%  |
| Minority Interest               | 200,244     | 220,624   | (20,380)   | -9.2%          | 13.7%   | 14.9%  |
| <b>Equity</b>                   |             |           |            |                |   |        |
| Preferred Stock                 | 147,091     | 149,388   | (2,297)    | -1.5%          | 10.1%   | 10.1%  |
| Common Stock                    | 153         | 156       | (3)        | -1.9%          | 0.0%  | 0.0%   |
| Equity Certificates and Credits | 419,673     | 391,803   | 27,870     | 7.1%           | 28.7%   | 26.4%  |
| Unallocated Equity              | (108,085)   | (104,559) | (3,526)    | 3.4%           | -7.4%   | -7.1%  |
| Total Equity                    | 458,832     | 436,788   | 22,044     | 5.0%           | 31.4%   | 29.5%  |
| Total Liabilities and Equity    | 1,459,915   | 1,482,582 | (22,667)   | -1.5%          | 100.0%  | 100.0% |

Appendix table 19—Average selected ratios by commodity group-Top 100 Cooperatives, 2001-02

|                   |      |      | Long-Term        |                |                      |                      |      | Times<br>Interest<br>Earned | Local<br>Assets<br>Turnover | Fixed<br>Assets<br>Turnover | Inventory<br>Turnover | Accounts<br>Receivable<br>Turnover | Gross<br>Profit<br>Margin | Net<br>Operating<br>Margin | Return<br>on<br>Total<br>Assets | Return<br>on<br>Members<br>Equity |
|-------------------|------|------|------------------|----------------|----------------------|----------------------|------|-----------------------------|-----------------------------|-----------------------------|-----------------------|------------------------------------|---------------------------|----------------------------|---------------------------------|-----------------------------------|
|                   |      |      | Current<br>Ratio | Quick<br>Ratio | Debt<br>to<br>Assets | Debt<br>to<br>Equity |      |                             |                             |                             |                       |                                    |                           |                            |                                 |                                   |
|                   |      |      |                  |                |                      |                      |      |                             |                             |                             |                       |                                    |                           |                            |                                 |                                   |
| Cotton            | 2001 | 1.32 | 0.69             | 62.1%          | 33.4%                | 3.05                 | 2.88 | 22.33                       | 7.13                        | 18.36                       | 8.9%                  | -0.7%                              | 5.5%                      | -2.2%                      |                                 |                                   |
|                   | 2002 | 1.48 | 0.67             | 52.6%          | 22.1%                | 4.42                 | 4.28 | 25.26                       | 12.45                       | 22.37                       | 14.1%                 | 4.2%                               | 14.5%                     | 29.8%                      |                                 |                                   |
| Dairy             | 2001 | 1.31 | 0.91             | 61.0%          | 36.4%                | 4.50                 | 5.79 | 29.47                       | 59.06                       | 21.15                       | 9.3%                  | 1.4%                               | 7.0%                      | 15.3%                      |                                 |                                   |
|                   | 2002 | 1.30 | 0.88             | 59.4%          | 32.7%                | 4.05                 | 6.04 | 30.27                       | 110.88                      | 23.90                       | 9.3%                  | 1.1%                               | 5.6%                      | 13.6%                      |                                 |                                   |
| Diversified       | 2001 | 1.21 | 0.83             | 73.3%          | 114.9%               | 1.21                 | 2.15 | 9.12                        | 16.53                       | 12.09                       | 9.6%                  | -0.8%                              | 2.4%                      | -4.2%                      |                                 |                                   |
|                   | 2002 | 1.13 | 0.76             | 76.6%          | 173.5%               | 0.51                 | 2.02 | 8.29                        | 17.06                       | 11.34                       | 9.5%                  | -2.2%                              | 0.1%                      | -39.9%                     |                                 |                                   |
| Fruit/Vegetable   | 2001 | 1.55 | 0.67             | 69.7%          | 79.9%                | 1.70                 | 2.12 | 11.91                       | 33.98                       | 11.04                       | 20.5%                 | 0.9%                               | 4.6%                      | 7.4%                       |                                 |                                   |
|                   | 2002 | 1.59 | 0.67             | 68.9%          | 57.9%                | 3.76                 | 2.19 | 10.04                       | 42.43                       | 12.32                       | 21.1%                 | 0.9%                               | 5.5%                      | 0.3%                       |                                 |                                   |
| Farm Supply       | 2001 | 1.36 | 0.63             | 57.1%          | 38.4%                | 2.05                 | 2.88 | 12.76                       | 9.92                        | 16.18                       | 16.4%                 | 1.0%                               | 5.6%                      | 6.3%                       |                                 |                                   |
|                   | 2002 | 1.40 | 0.72             | 57.7%          | 44.9%                | 3.90                 | 2.46 | 11.90                       | 8.81                        | 11.55                       | 17.4%                 | 1.6%                               | 5.5%                      | 6.5%                       |                                 |                                   |
| Grain             | 2001 | 1.22 | 0.58             | 60.2%          | 38.7%                | 2.70                 | 2.62 | 8.79                        | 9.79                        | 20.97                       | 13.2%                 | 1.3%                               | 5.8%                      | 9.7%                       |                                 |                                   |
|                   | 2002 | 1.24 | 0.56             | 62.2%          | 40.1%                | 4.65                 | 2.46 | 8.51                        | 8.32                        | 17.78                       | 12.5%                 | 1.1%                               | 4.7%                      | 8.5%                       |                                 |                                   |
| Poultry/Livestock | 2001 | 1.25 | 0.92             | 81.9%          | 202.0%               | 0.56                 | 3.67 | 59.72                       | 209.93                      | 11.85                       | 4.5%                  | 0.4%                               | 2.7%                      | -84.9%                     |                                 |                                   |
|                   | 2002 | 1.44 | 0.93             | 81.0%          | 472.8%               | 1.60                 | 4.01 | 50.81                       | 326.45                      | 11.86                       | 5.7%                  | 1.3%                               | 5.6%                      | -44.3%                     |                                 |                                   |
| Rice              | 2001 | 1.69 | 0.89             | 47.8%          | 33.3%                | 7.48                 | 2.36 | 5.48                        | 9.63                        | 13.11                       | 32.1%                 | 2.1%                               | 5.9%                      | 11.3%                      |                                 |                                   |
|                   | 2002 | 1.72 | 0.95             | 47.8%          | 32.5%                | 5.82                 | 2.25 | 5.11                        | 9.87                        | 10.85                       | 32.0%                 | 2.0%                               | 5.7%                      | 10.0%                      |                                 |                                   |
| Sugar             | 2001 | 1.20 | 0.53             | 65.9%          | 90.8%                | 0.85                 | 1.10 | 2.04                        | 6.77                        | 10.49                       | 22.8%                 | -1.2%                              | 2.5%                      | -8.7%                      |                                 |                                   |
|                   | 2002 | 1.23 | 0.48             | 65.0%          | 84.8%                | 1.45                 | 1.01 | 1.96                        | 5.85                        | 11.93                       | 24.2%                 | 1.2%                               | 3.4%                      | 3.1%                       |                                 |                                   |







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## U.S. Department of Agriculture

### Rural Business-Cooperative Service

Stop 3250

Washington, D.C. 20250-3250

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